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**UNITED STATES BANKRUPTCY COURT**
**SOUTHERN DISTRICT OF NEW YORK**

| | | |
|---|---|---|
| **In re** | : | |
| | : | **Chapter 11** |
| **SEARS HOLDINGS CORPORATION, *et al.*,** | : | |
| | : | **Case No. 18-23538 (RDD)** |
| | : | |
| **Debtors.** | : | **(Jointly Administered)** |

**DECLARATION OF ROBERT A. RIECKER**

I, Robert A. Riecker, make this declaration under 28 U.S.C. § 1746 (the "**Declaration**"):

1. I am the Chief Financial Officer ("**CFO**") of Sears Holdings Corporation ("**SHC**") and have held this role since April 2017. Prior to that, I held various positions at SHC since 2005, including, assistant controller, head of internal audit, controller, chief accounting officer, and head of capital markets.[1]

[1] Additional information regarding my background and qualifications can be found in the *Declaration of Robert A. Riecker Pursuant to Rule 1007-2 of Local Bankruptcy Rules for Southern District of New York*, filed with the Bankruptcy Court on October 15, 2018 [ECF No. 3] ("**First Day Declaration**").

2. On October 15, 2018, the Board of Directors ("**Board**") of SHC and its affiliated debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the "**Debtors**" and, together with their non-debtor affiliates, the "**Company**" or "**Sears**")[2] created an Office of the Chief Executive Officer ("**CEO**"), of which I am a member, and I report to the Board.

3. I submit this Declaration in support of entry of the *Revised Order (I) Approving the Asset Purchase Agreement Among Sellers and Buyer, (II) Authorizing the Sale of Certain of the Debtors' Assets Free and Clear of Liens, Claims, Interests and Encumbrances, (III) Authorizing the Assumption and Assignment of Certain Executory Contracts and Leases in Connection Therewith, and (IV) Granting Related Relief* ("**Revised Proposed Sale Order**").[3]

4. I am knowledgeable and familiar with the Company's day-to-day operations, business and financial affairs, books and records, and the circumstances leading to the commencement of these chapter 11 cases (the "**Chapter 11 Cases**"). Except as otherwise

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[2] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are as follows: Sears Holdings Corporation (0798); Kmart Holding Corporation (3116); Kmart Operations LLC (6546); Sears Operations LLC (4331); Sears, Roebuck and Co. (0680); ServiceLive Inc. (6774); SHC Licensed Business LLC (3718); A&E Factory Service, LLC (6695); A&E Home Delivery, LLC (0205); A&E Lawn & Garden, LLC (5028); A&E Signature Service, LLC (0204); FBA Holdings Inc. (6537); Innovel Solutions, Inc. (7180); Kmart Corporation (9500); MaxServ, Inc. (7626); Private Brands, Ltd. (4022); Sears Development Co. (6028); Sears Holdings Management Corporation (2148); Sears Home & Business Franchises, Inc. (6742); Sears Home Improvement Products, Inc. (8591); Sears Insurance Services, L.L.C. (7182); Sears Procurement Services, Inc. (2859); Sears Protection Company (1250); Sears Protection Company (PR) Inc. (4861); Sears Roebuck Acceptance Corp. (0535); Sears, Roebuck de Puerto Rico, Inc. (3626); SYW Relay LLC (1870); Wally Labs LLC (None); SHC Promotions LLC (9626); Big Beaver of Florida Development, LLC (None); California Builder Appliances, Inc. (6327); Florida Builder Appliances, Inc. (9133); KBL Holding Inc. (1295); KLC, Inc. (0839); Kmart of Michigan, Inc. (1696); Kmart of Washington LLC (8898); Kmart Stores of Illinois LLC (8897); Kmart Stores of Texas LLC (8915); MyGofer LLC (5531); Sears Brands Business Unit Corporation (4658); Sears Holdings Publishing Company, LLC. (5554); Sears Protection Company (Florida), L.L.C. (4239); SHC Desert Springs, LLC (None); SOE, Inc. (9616); StarWest, LLC (5379); STI Merchandising, Inc. (0188); Troy Coolidge No. 13, LLC (None); BlueLight.com, Inc. (7034); Sears Brands, L.L.C. (4664); Sears Buying Services, Inc. (6533); Kmart.com LLC (9022); Sears Brands Management Corporation (5365); and SRe Holding Corporation (4816). The location of the Debtors' corporate headquarters is 3333 Beverly Road, Hoffman Estates, Illinois 60179.

[3] Capitalized terms used in this Declaration but not otherwise defined have the meanings given to them in the Revised Proposed Sale Order.

indicated in this Declaration, the facts set forth herein are based upon my personal knowledge, my review of relevant documents, information provided to me by employees of the Company or the Company's advisors, or my opinion, which itself would be based upon my experience, knowledge, and information concerning the Company's operations. If called upon to testify, I would testify competently to the facts set forth in this Declaration. I am authorized to submit this Declaration on behalf of the Debtors.

## I. Relevant Background

5. The Company owns and operates hundreds of stores under the *Sears* and *K-mart* brands across the United States and its territories.[4] Despite Sears' long history and iconic status, the Debtors have a highly-levered capital structure and faced liquidity challenges that necessitated these Chapter 11 Cases.

### A. Role of the Restructuring Committee

6. On October 10, 2018, in anticipation of the need to file the Chapter 11 Cases, the Board formed a Restructuring Committee comprised solely of independent directors. The four members of the Restructuring Committee are Alan J. Carr, Paul G. DePodesta, Ann N. Reese, and William L. Transier (collectively, the "**Restructuring Committee**"). The Restructuring Committee was charged with, among other things: (a) considering, evaluating and, if it deemed it to be in the best interests of Sears, recommending to the Board that Sears enter into a transaction not involving ESL, or authorizing and approving a transaction involving ESL; (b) overseeing the provision of confidential information by or on behalf of Sears and its subsidiaries to third parties under cover of an appropriate confidentiality arrangement; (c) overseeing discussions and negotiations with Sears' stakeholders with respect to a restructuring transaction

[4] *See generally*, First Day Declaration.

and the implementation and execution of such a transaction; (d) overseeing the Chief Restructuring Officer[5]; and (e) such other actions considered by the Restructuring Committee to be necessary or desirable to carry out its mandate, subject, as appropriate, to the approval of the Board.

7. I attended the majority of the Restructuring Committee meetings, answered all questions posed by the Restructuring Committee related to the Company's financials and ongoing business developments, and presented my views on, among other things, the reasonableness of all Company business plans for the go-forward business. We provided preliminary drafts of the Company's go-forward business plans to the Restructuring Committee during November and December 2018. In addition, at the request of the Restructuring Committee and their advisors, I worked with Lazard Frères & Co. LLC ("**Lazard**"), Weil, Gotshal & Manges LLP ("**Weil**"), and M-III to facilitate collecting information about the Company's financials for the Restructuring Committee meetings. I, along with other members of the finance group, also presented to the full Board regarding the status of the Company, generally, post-filing.

8. ESL Investments, Inc. ("**ESL**") and Mr. Edward S. Lampert ("**Lampert**") did not participate in the Restructuring Committee meetings. In addition, after Mr. Lampert stepped down from his role as CEO of the Company, effective on or about October 14, 2018, he was no longer involved in the Company's day-to-day business.

## B. The Going Concern Sale

9. Since filing the Chapter 11 Cases, the Debtors, under the oversight of the Restructuring Committee and with the advice of Lazard, Weil, and M-III, assessed and discussed

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[5] On October 10, 2018, the Board authorized the retention of M-III Advisory Partners, LP ("**M-III**") and, specifically, Moshin Y. Meghji, as Chief Restructuring Officer ("**CRO**") to assist the Debtors with their reorganization efforts as authorized by the Bankruptcy Court. *See Order Authorizing Debtors to Retain M-III Advisory Partners, LP to Provide a Chief Restructuring Officer and Certain Additional Personnel for Debtors Nunc Pro Tunc to Commencement Date*, entered on November 19, 2018 [ECF No. 814].

potential transactions, including: (i) sale transactions whereby all or substantially all of the Debtors' assets would be sold to an investor or buyer who would continue to operate the Debtors' businesses as a going concern (the "**Sale Process**"); and (ii) a wind-down of the business, including going out of business ("**GOB**") sales and separate sales of individual businesses within Sears and the remaining Company assets to multiple purchasers ("**Wind-Down**"). Ultimately, the Restructuring Committee, after extensive deliberation and in consultation with their advisors, determined that the ESL January 15, 2019 bid to purchase substantially all of the Debtors' go-forward retail stores and other assets and component businesses as a going concern constituted the highest or otherwise best bid (the "**Successful Bid**").[6]

10. With the approval of the Restructuring Committee, the Debtors entered into an Asset Purchase Agreement with ESL, memorializing the terms of the Successful Bid, on January 17, 2019 (the "**APA**"). The APA sets forth the key terms of the sale transaction and specifically addresses the Bankruptcy Court's directives concerning conditionality and execution risks. Since executing the APA, the Unsecured Creditors' Committee ("**UCC**") has raised concerns regarding, among other things: (i) adequate assurance of future performance under ESL's go-forward business plan; and (ii) certain KCD IP covenants required by the APA.

## II. Company's Business Plans

### A. Historical Business Plans

11. I did not personally participate in preparing the Company's business plans until I became the CFO in April 2017. Prior to that time, in my roles as the assistant controller

[6] Additional information regarding the Sale Process, including the Restructuring Committee's consideration of the GOB sales, Wind-Down, and approval of the ESL January 15, 2019 Successful Bid, can be found in the declarations of Alan J. Carr, William L. Transier, Moshin Meghji, and Brandon Aebersold, filed contemporaneously with the Bankruptcy Court on February 1, 2019.

and, later, controller of the Company, I reviewed and analyzed the business plans and was generally knowledgeable about their creation, but I was not personally involved in their creation or the business initiatives contained in them.

12. In my role as CFO, beginning in the spring of 2017, I met with business leaders to create the Company's business plans and discuss the various initiatives that they were prepared to work on in order to build a plan from a bottoms-up perspective with top-down targets created by the business presidents of the Company, the head of SHC's financial planning and analysis ("**FP&A**") group, as well as the CEO and Chairman of the Company, Mr. Lampert (collectively, "**Senior Management**"). The business leaders who assisted in preparing the plan, among others, included the head of SHC's home services, apparel, soft lines, food and consumables, and financial services groups. We also received assistance from the head of our retail operations, Leena Munjal, who provided a store-level analysis.

13. Prior to filing the Chapter 11 Cases, the Company business plans had aggressive, yet reasonable, projections set by Senior Management—target goals that we often referred to as "go gets." These plans took into account over 680 retail stores, excluding specialty locations, in 49 states in fiscal year 2018, including all expenses and costs required to operate and maintain the same.

**B. Post-Filing, Go-Forward Business Plan**

14. Since filing these Chapter 11 Cases, the office of the CEO has worked with Company business leaders and the Debtors' advisors at M-III, including the Company's CRO, Mr. Meghji, to develop a business plan for the Company for the go-forward period into 2019. This group included, among others: Leena Munjal, Greg Ladley, and myself from the office of the CEO; Mitch Bowling, CEO of the Sears Home Services group; Naren Sinha, Senior Vice President of the financial FP&A group; Terry Rolecek from the financial services group; Dean Schwartz

from the hard lines division; and a representative from the Company's food and consumables group (collectively, the "**Business Leaders**").

15. The Business Leaders began preparing a post-filing business plan approximately two weeks after the Chapter 11 Cases commenced—in late October 2018—and had a preliminary business plan created on November 12, 2018 (the "**Original Go-Forward Plan**").[7] The Original Go-Forward Plan was later revised, including on December 16, 2018 (as revised, the "**Go-Forward Plan**"),[8] to refine certain assumptions provided for in the Company's Original Go-Forward Plan as the Chapter 11 Cases progressed. The Go-Forward Plan demonstrates that the Company has the potential to operate as a going concern upon emerging from chapter 11. Notably, the Go-Forward Plan has not been further amended or revised since December 16, 2018, and, therefore, does not reflect all changes and events that have occurred since that time.

16. Unlike prior business plans, the Company's Go-Forward Plan did not have any top-down targets or "go gets" for which the Business Leaders had to build from the bottom up. Also unlike the historical business plans, no one from ESL, including, but not limited to, Mr. Lampert and Mr. Kunal Kamlani ("**Kamlani**"), had input into or assisted with the preparation of the Company's Go-Forward Plan; nor were they involved in any discussions, deliberations, or Restructuring Committee meetings regarding the Company's Go-Forward Plan.

17. My personal involvement in preparing the Go-Forward Plan included, among other things: (i) monitoring the Company's progress in light of the stated objectives; (ii) reviewing the data provided for the Go-Forward Plan; and (iii) assessing and understanding

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[7] A true and correct copy of the Company's Original Go-Forward Plan is attached to this Declaration as "**Exhibit A**."
[8] A true and correct copy of the Company's Go-Forward Plan is attached to this Declaration as "**Exhibit B**."

whether the numbers provided for in the Go-Forward Plan were achievable and supported based on past results and by actions the Debtors could take to achieve the express objectives.

18. To create the Company's Go-Forward Plan, the Business Leaders reviewed historical data related to the 505 stores comprising the Company's Go-Forward Plan, presentations of information demonstrating the sales trends, margin rate specifics, and selling, general, and administrative ("**SG&A**") costs and reductions, as well as the ancillary businesses that contribute to the overall financial results of the Company from the Sears Home Services and Sears Financial groups. In choosing the 505 stores, the Business Leaders took into account, among other things, their location and underlying real estate values. To make this determination, the Company received guidance from the Debtors' advisors at M-III and our real estate group, including Ms. Jane Borden, to help identify the value of the go-forward stores from a real estate perspective. In our business judgment, and in reliance on our experience, expertise, and knowledge regarding the Company's financials, we determined that a three-year period was a reasonable amount of time that provided reliable, sufficient historical information to determine the value of these stores.

19. The Go-Forward Plan was very different from the pre-petition business plans due to, most notably: (i) the absence of a top-down approach; (ii) the smaller footprint; (iii) the ability to adjust an SG&A structure that was previously maintained for a larger footprint of stores; and (iv) expected store sales impacted by improved vendor and customer confidence following the Company's anticipated emergence from chapter 11.

20. ***Smaller Footprint:*** The Company's Go-Forward Plan includes 505 hand-picked go-forward stores selected due to their profitability over the last twelve months ("**LTM**"). In our business judgment, and in reliance on our experience, expertise, and knowledge regarding the Company's financials, we determined that a LTM lookback period was a reasonable amount

of time that provided reliable, recent historical information upon which to base go-forward projections on the most profitable stores.

21. ***SG&A Expenses:*** In order to significantly reduce SG&A expenses and identify costs that could be reduced, the office of the CEO created line item detail of all of the costs that make up the Company's SG&A expenses, identified contracts related to those line items, as well as specific cost, people, and other fixed costs related to them. After carefully performing this exercise, the reduced SG&A costs are primarily based on: (i) headcount reductions; (ii) supply chain network reductions, including reducing the number of distribution centers; and (iii) contractual reductions in the IT environment, which is supported by a $30 million investment in new infrastructure related to the Company's IT requirements on a go-forward basis. In fact, since the Go-Forward Plan was created in December 2018, the Company has already implemented certain headcount reductions, and management is confident that we can implement the remainder contemplated in the Go-Forward Plan. The Business Leaders further determined, based on their experience and expertise, that such SG&A cuts will not negatively affect the go-forward operations because the majority of the costs come from people and logistics, such as IT and distribution centers—sources that will not be needed in their current capacity based on the significantly reduced store footprint. In making this determination, the Company analyzed the geographic location of the stores, the ability to purchase product, the ability to price and promote and, ultimately, sell the product.

22. ***Vendor and Customer Confidence:*** Based on my experience and ongoing discussions between business leaders and vendors, I am confident that upon the Company's emergence from Chapter 11, it will, in due course, be able to achieve better terms with vendors, including terms in the 30-day range in the aggregate. This is significant compared to what the

Company was limited to going into bankruptcy due to credit limits with vendors and, in some instances, 5-day terms or, essentially, a cash basis. If the Company were to emerge now, the Company's Business Leaders reasonably anticipate that the Company would begin to receive better credit terms from our vendors in light of the restructured business model. In addition, because of its credit profile shortly prior to filing the Chapter 11 Cases, the Company's restricted ability to obtain its desired quantity and selection of preferred goods had a negative impact on our sales. Post-emergence, the Business Leaders reasonably anticipate that the Company should be able to buy the proper quantity and preferred product as opposed to being limited in selection, which would allow the Company to buy more desirable product for its customer base and, as a result, promote the product at higher margin rates. Based on my experience on going discussions between business leaders and vendors, I do not expect any significant deterioration in the product, the quality of the product, or the brands the Company will be able to order upon emerging from chapter 11.

23. The above considerations are combined with management operational initiatives based on historical data for the specific stores included in the Go-Forward Plan to support the go-forward business, which include, among other things: (i) promotional efforts related to, primarily, Shop Your Way and the Shop Your Way membership program; and (ii) the pricing of products. These same initiatives were in place prior to filing the Chapter 11 Cases and have proven successful, and they have been further tweaked in the Go-Forward Plan.

24. By way of example, the Shop Your Way ("**SYW**") program is a specific initiative that is aimed at improving the Company's same store sales. SYW has been in place since 2009, though it has changed in the way it has been implemented, or gone to market and the SYW members, over time. SYW has included different types of cash back offers in the past, but the

most recent efforts—the same initiatives contemplated in the Go-Forward Plan—have proven most successful. Specifically, since January and February 2018, the Company's management team, including Ms. Munjal and Mr. Ladley, have implemented changes concerning how the SYW program operated and took a new approach to the soft-line business for apparel. The Company began to apply a combination of points offerings along with pricing adjustments in the SYW program to analyze which of the initiatives would positively impact performance. The most recent approach—giving members cash back over time, encouraging them to come into the stores and spend their points more often. In August and September 2018, for example, the Company's same-store sales growth was -2.0% and 0.0%, respectively.

25. As explained above, with better product supply and vendor terms, the Company also will be able to more competitively price more desirable products to its customers and members. This, coupled with competitive data scraping capabilities to help identify pricing and trend opportunities, will assist the Company in setting competitive pricing for its products.

26. These same initiatives, among others, and anticipated projections based on historical data for the specific stores included in the Go-Forward Plan are reflected in the Go-Forward Plan's month-by-month projections. This includes, among other things, the same stores sales comp, which is reflected as -2.4% for fiscal year 2019.

27. The projections are reasonable and reflect what the Company and the Business Leaders reasonably expect the business to achieve on a go-forward basis. While the same store sales percentage has been lower during and shortly preceding the Chapter 11 Cases, that performance results from, among other things, lack of product and customer confidence. The projected same store sales percentage represents what the management team determined, based on its experience and sound business judgment, could be implemented emerging out of bankruptcy

with resumed vendor and customer confidence. While it is hard to project same stores sales comparison on a month-by-month basis, as done in the Go-Forward Plan, I and the Company's management team believe the overall -2.4% for fiscal year 2019 is reasonable, and some of us, including myself, believe we may even outperform that projection by the end of the year.

## III. ESL Go-Forward Business Plan

28. ESL has also presented a go-forward business plan, including the most recent plan presented to certain lenders on January 24, 2019 (the "**ESL Plan**"). Unlike the Company's Go-Forward Plan, the ESL Plan bases its projections on a smaller 425-store model, among other differences. Members of the office of the CEO, including myself, reviewed the ESL Plan at a high level, but we did not have discussions with ESL as to whether we agreed with the ESL Plan or any of the assumptions contained therein.

29. The change from 505 to 425 go-forward stores was not a decision made by ESL. Rather, it was made primarily by myself and the Company's CRO, Mr. Meghji, based on the liquidity needs of the Company in light of the DIP milestones and other deadlines set and approved by the Bankruptcy Court. This decision was also made in light of various decisions made by the Company's advisors who provided input as to what footprint the Company should go forward with, along with interactions with the senior DIP financing group.

30. Given that the Company's Go-Forward Plan was built on a store-by-store basis, I do not believe the projections, including, by way of example, the same store sales percentages identified in the ESL Plan would change in any material or significant way. As I confirmed at a recent lender presentation on January 24, 2019, I believe the same stores sale comparison reasonably could range from -1% (ESL projection) to -2.4% (Company projection) for fiscal year 2019.

31. Because the ESL Plan is similar to the Company's Go-Forward Plan presented by the management team in November and December 2018, I believe the objectives in the ESL Plan are achievable and the projections are reasonable based on, among other things, its smaller footprint.

## IV. KCD IP Covenants

32. The APA contains certain closing conditions, including certain covenants relating to KCD IP covenants. As of this Declaration, the Board of KCD IP, LLC has approved the Exclusive License, as set forth in section 9.14(b) of the APA, thereby meeting this closing condition.

33. Based on the foregoing, I submit that the Court should grant the Debtors' Revised Proposed Sale Order.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and after reasonable inquiry.

Dated: February 1, 2019

Cook County, Illinois

*/s/ Robert A. Riecker*
Robert A. Riecker
Chief Financial Officer
Sears Holdings Corporation and
Its Affiliated Debtors

# *EXHIBIT A*

# SEARS HOLDINGS

## OFFICIAL COMMITTEE OF UNSECURED CREDITORS - DISCUSSION MATERIALS

**November 12, 2018**

Weil LAZARD M-III PARTNERS

EXHIBIT UCC 4
DATE 1/23/19
MARK RICHMAN, CSR, RPR

# Disclaimer

- The information herein has been prepared by the Sears Holdings Corporation (the "Company") and its advisors based upon information supplied by the Company or publicly available information, and portions of the information herein may be based upon certain statements, estimates and forecasts provided by the Company with respect to the anticipated future performance of the Company. The advisors have relied upon the accuracy and completeness of the foregoing information, and have not assumed any responsibility for any independent verification of such information or any independent valuation or appraisal of any of the assets or liabilities of the Company, or any other entity, or concerning solvency or fair value of the Company or any other entity. With respect to financial forecasts, the advisors have assumed that they have been reasonably prepared in good faith on bases reflecting the best currently available estimates and judgments of management of the Company as to the future financial performance of the Company. The advisors assume no responsibility for and express no view as to such forecasts or the assumptions on which they are based. The information set forth herein is based upon economic, monetary, market and other conditions as in effect on, and the information made available to us as of, the date hereof, unless indicated otherwise.
- This presentation speaks only as of the date of the information herein and neither the Company nor its advisors has any obligation to update or correct any information contained herein, including any forward-looking statements as described below. This presentation shall not be deemed an indication of the state of affairs of the Company and is based on the currently available information to the Company and its advisors. This presentation shall not constitute an indication that there has been no change in the Company or affairs of the Company since the date hereof.
- This presentation may contain certain statements that may be deemed "forward-looking statements" as defined in the U.S. Private Securities Litigation Reform Act of 1995. All statements that address activities, events or developments that we intend, expect, plan, project, believe or anticipate will or may occur in the future are forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

# Meeting Agenda

1. **Introduction**
2. **Preliminary Go-Forward Business Plan**
3. **Liquidity Update and Illustrative Store Footprint Scenarios**
4. **Break**
5. **Tax Update**
6. **DIP Financing Overview**
7. **KERP / KEIP Overview**
8. **Chapter 11 Timeline**

# Preliminary Go-Forward Business Plan

Weil LAZARD M-III PARTNERS

# Executive Summary

- Senior management with the assistance of M-III has produced the following go forward business plan for the Company that achieves profitability in 2019 through revenue growth initiatives and significant cost cutting
  - With negative same-store sales comps that turn positive in Q2 averaging 0.6% in 2019 and 100bps of margin rate increase with a 505 store footprint, the Company is projected to have $94mm of EBITDA in 2019, which continues to grow in 2020 and 2021
- From a variety of perspectives, including real estate value, profitability, and acquiror interest, management believes that maintaining 505 stores is a reasonable store base from which the Company can grow and achieve meaningful profitability
  - SHC realizes significant income from the Citi credit card agreement shown in financial services, cash discounts from vendors not included at the store level, and points income shown within the Shop Your Way business unit. When stores are closed, these income streams shown outside the stores decrease significantly
  - With continued B2B growth and a new Protection Agreement solution to sell in retail, Sears Home Services is projected to achieve $235mm of EBITDA in 2019 on $1.7bn of revenue
- Based upon pre-petition same-store sales comps trajectory, historical store performance, and the opportunity to capitalize on underinvested stores, the Company has substantial growth opportunities ahead
- Additionally, the Company has identified a plan to reduce home office and supply chain overhead expenses from ~$1.2bn today to a less than $600mm annual run-rate
  - We are projecting the home office and supply chain overhead expense to be ~$650mm in 2019 due to the pacing of the transformation
  - The first round of cuts is schedule to begin on November 15 with an estimated savings of $100mm in payroll annually

# Executive Summary *(cont'd)*

- Management is focused on several key areas for potential growth
  - Continued online growth through executing on basic metrics improvement, substantial initiatives, and operational excellence
  - Opening additional small footprint locations (upside opportunity as not included in base plan)
  - Further expansion into mobiles apps, which have a 2x conversion rate over the mobile web
  - Growing the already existing 28mm 12-month active member base through new member acquisition and enhanced retention strategies
- While the initial results of the plan are promising, there is still significant work ahead to be completed
  - The Company will be spending significant time investigating the brand proposition of Sears and Kmart along with formulating a go-forward plan
  - Management is prioritizing the best growth initiatives to pursue and forecasting the required capital expenditures needed including store rejuvenation
  - The first round of cuts has been identified and scheduled but the next rounds will be long and tough

## Why Sears can make it

- Sears is 3rd largest appliance retailer in the US with 15.3% market share
  - Lowes has 25.8% share; Home Depot has 17.1%; Best Buy has 13.7%
- Sears is the number one home service and direct delivery provider
  - Amazon and others are leveraging Sears' capabilities, which adds value to Innovel and Home Services; this is a unique strength that Sears has over other market competitors with high barriers to entry
- Sears has a physical presence and some unique locations to back up the showroom concept that is important on big ticket, considered purchases, which combined with our online, service, and delivery capabilities make for a powerful combination
  - Sears' current value proposition with increased focus and investment should command higher market share
- We have the ability to expand our reach in the Hardline categories through scaling the small format concept and further leveraging our overhead and unique capabilities
- Along with the Hardlines opportunity, Sears also has a strong and growing Softlines business which can complement its Hardlines opportunities, again making Sears unique in the market
- Robust digital platform with 145mm total registered users including 61mm contactable members and 28mm 12-month active users. Of the active users, 13.5mm have redeemed points in the last 12 months
- Expansive Financial Services platform with profitable Citi credit card agreement and multiple avenues for continued growth under the agreement

**To capture this opportunity, we will need to address our physical presence through store upgrades and a consumer confidence campaign, but the reason Sears can make it is that it still has a unique product and service offering that will make it relevant for years to come**

# Our business plan is powered by a robust, store-level financial model

## 2019 Plan Assumptions by Business Unit

| | Methodology | Assumptions |
|---|---|---|
| Retail (Brick & Mortar, Sears Auto Center, Online & ShopYourWay) | • Brick and Mortar: By store revenue and EBITDA build for Brick and Mortar retail<br>• Online: Based on historical financials<br>• Sears Auto Center: Based on historical financials<br>• ShopYourWay: Based on percentage of sales realized historically | • Footprint reduced to 505 total stores (266 Sears & and 239 Kmart)<br>• Forecast driven off LTM actual performance through September 2018<br>• Same store comps:<br>– 2019 FY: 1% decrease in Feb 2019 ramping to a 2% increase in Jan 2020<br>– 2020 FY +3%<br>– 2021 FY +4%<br>• 2019-21 FY store level gross margin +100 bps<br>• Fixed operating expenses held flat in 2019; grown at 2% thereafter<br>• Online: 2019-2021 revenue growth of 5% per annum<br>• Sears Auto Centers: 2018 FY YTD actuals + budget reduced based on number of FLS stores closed; 3% same store comps thereafter (2020-21)<br>• ShopYourWay: ~1.9% of total online and retail sales (based on LTM actuals) |
| Home Services | • Underlying business segments forecasted based on key drivers; based on management team's detailed financial model | • Based on 2019 FY management forecast of business<br>• Assumes SHIP sold to stalking horse buyer and is excluded from forecast<br>• Assumes Protection Agreement business continues to originate policies through third party (Assurant) |
| Other Businesses | • Financial Services based on percentage of sales realized historically | • Financial Services: ~1.7% of total FLS retail sales (based on LTM actuals)<br>• Kenmore / DieHard: Based on management projections per sale process<br>• Monark: 2018 YTD actuals with budget held constant in 2019 |
| Overhead, SG&A and Supply Chain & Logistics | • Management forecast based on result of three-week long review of costs at each business unit by Office of the CEO and M-III | • Home Office SG&A: Reduced from ~$860mm current run-rate to ~$350mm on a going concern run-rate basis<br>• Supply Chain & Logistics: 9 conveyable distribution centers reduced to 5; assumes Innovel platform sold or reduced |

# With modest positive same-store comps, SHC can return to profitability in 2019

## Consolidated Historical Financials and 2019-2021E Forecast

*($ in millions)*

| | 2015A | 2016A | 2017A | 2018A YTD [1] | 2019E | 2020E | 2021E |
|---|---|---|---|---|---|---|---|
| **Revenue** | **$25,140** | **$21,893** | **$16,673** | **$8,913** | **$8,709** | **$8,858** | **$9,169** |
| (-) COGS | (16,886) | (14,585) | (10,824) | (5,713) | (5,481) | (5,669) | (5,909) |
| **Gross Margin** | **$8,254** | **$7,308** | **$5,848** | **$3,201** | **$3,228** | **$3,189** | **$3,259** |
| *Margin (%)* | *33%* | *33%* | *35%* | *36%* | *37%* | *36%* | *36%* |
| (-) Operating Expenses | (7,066) | (6,375) | (5,055) | (2,919) | (2,573) | (2,526) | (2,546) |
| (-) Supply Chain & Logistics | (483) | (389) | (326) | (219) | (197) | (202) | (208) |
| (-) Home Office SG&A | (1,573) | (1,378) | (1,071) | (666) | (365) | (296) | (302) |
| (+) SHC Level PA EBITDA Adjustment [2] | 33 | 36 | 46 | 30 | – | – | – |
| **EBITDA** | **($836)** | **($798)** | **($557)** | **($573)** | **$94** | **$165** | **$204** |
| *Margin (%)* | *(3%)* | *(4%)* | *(3%)* | *(6%)* | *1%* | *2%* | *2%* |

## 2019E EBITDA Sensitivity to Retail SSS Growth / (Decrease) and Margin Expansion / (Compression)

| Margin Expansion (bps) | Same Store Sales Growth / (Decrease) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | (10.0%) | (8.0%) | (6.0%) | (4.0%) | (2.0%) | 0.6% | 2.0% | 4.0% | 6.0% | 8.0% | 10.0% |
| (50) | ($147) | ($116) | ($85) | ($55) | ($24) | $17 | $39 | $70 | $100 | $131 | $162 |
| – | (124) | (93) | (61) | (30) | 1 | 43 | 65 | 96 | 127 | 159 | 190 |
| 50 | (101) | (69) | (38) | (6) | 26 | 68 | 91 | 122 | 154 | 186 | 218 |
| 100 | (78) | (46) | (14) | 19 | 51 | $\boxed{94}$ | 116 | 149 | 181 | 214 | 246 |
| 150 | (56) | (23) | 10 | 43 | 76 | 119 | 142 | 175 | 208 | 241 | 274 |
| 200 | (33) | 1 | 34 | 68 | 101 | 145 | 168 | 202 | 235 | 269 | 302 |
| 250 | (10) | 24 | 58 | 92 | 126 | 170 | 194 | 228 | 262 | 296 | 330 |

(1) YTD 9-month actuals through October 2018.
(2) SHC level EBITDA adjustment related to the protection agreement business.

Weil LAZARD M-III PARTNERS

# Retail, Home Services, and Financial Services drive profitability

## Business Unit Historical Financials and 2019E Forecast

*($ in millions)*

| | 2015A | 2016A | 2017A | 2018A YTD [1] | 2019E | 2020E | 2021E |
|---|---|---|---|---|---|---|---|
| **Retail (4-Wall + Online + SYW)** | | | | | | | |
| Revenue | $21,381 | $18,492 | $13,531 | $6,144 | $6,578 | $6,794 | $7,072 |
| Gross Margin | $6,541 | $5,476 | $4,119 | $1,737 | $1,891 | $1,949 | $2,026 |
| EBITDA | $959 | $628 | $531 | $99 | $409 | $439 | $487 |
| **Home Services [2]** | | | | | | | |
| Revenue | $2,139 | $2,159 | $1,953 | $1,220 | $1,690 | $1,610 | $1,629 |
| Gross Margin | $1,582 | $1,592 | $1,433 | $868 | $1,222 | $1,122 | $1,112 |
| EBITDA | $195 | $266 | $222 | $90 | $235 | $210 | $211 |
| **Financial Services** | | | | | | | |
| Revenue | $66 | $68 | $74 | $67 | $49 | $51 | $53 |
| EBITDA | $55 | $59 | $68 | $65 | $44 | $46 | $48 |
| **Other Businesses** | | | | | | | |
| Kenmore / Craftsman / DieHard EBITDA | $11 | $11 | ($2) | ($4) | ($7) | ($7) | ($7) |
| Monark EBITDA | $7 | $3 | $3 | ($1) | ($3) | ($2) | ($1) |
| **Overhead and Adjustments** | | | | | | | |
| Supply Chain and Innovel | ($483) | ($389) | ($326) | ($194) | ($197) | ($202) | ($208) |
| PA Corporate Level EBITDA Adjustment [3] | 33 | 36 | 46 | 30 | – | – | – |
| Member Services Organization [4] | ($68) | ($57) | ($41) | ($22) | ($23) | ($24) | ($24) |
| Home Office / Corporate SG&A | ($1,573) | ($1,378) | ($1,071) | ($601) | ($365) | ($296) | ($302) |
| **Total SHC EBITDA** | **($836)** | **($798)** | **($557)** | **($539)** | **$94** | **$165** | **$204** |
| **Retail EBITDA Detail** | | | | | | | |
| 505 Store Go-Forward 4-Wall EBITDA | $406 | $223 | $185 | $58 | $184 | $204 | $240 |
| All Other 4-Wall EBITDA+ Online | 13 | (205) | (135) | (187) | (1) | 1 | 2 |
| Vendor Discounts & Other Adjustments | 239 | 304 | 238 | 95 | 94 | 97 | 101 |
| Sears Auto Center EBITDA | 152 | 117 | 83 | 37 | 41 | 44 | 47 |
| ShopYourWay EBITDA | 149 | 190 | 160 | 97 | 91 | 93 | 97 |
| **Total Retail EBITDA** | **$959** | **$628** | **$531** | **$99** | **$409** | **$439** | **$487** |

(1) YTD 9-month actuals through October 2018.
(2) Excludes SHIP in forecast.
(3) SHC level EBITDA adjustment related to the protection agreement business.
(4) Call center support allocated at corporate level.

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# We have assumed negative same-store comps turn positive in the 2nd quarter

## 2019E Monthly Budget by Business Unit

*($ in millions)*

| | 2019E Monthly Budget | | | | | | | | | | | | 2019E | 2020E | 2021E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Total | Total | Total |
| **Retail (4-Wall + Online + SYW)** | | | | | | | | | | | | | | | |
| *Same Store Sales (% Change)* | *(1.0%)* | *(1.0%)* | *(1.0%)* | – | – | – | *1.0%* | *1.0%* | *1.0%* | *2.0%* | *2.0%* | *2.0%* | *0.6%* | *3.0%* | *4.0%* |
| Revenue | $447 | $525 | $463 | $538 | $613 | $461 | $492 | $536 | $468 | $680 | $850 | $506 | $6,578 | $6,794 | $7,072 |
| Gross Margin | 119 | 155 | 140 | 159 | 180 | 136 | 123 | 141 | 139 | 195 | 271 | 132 | 1,891 | 1,949 | 2,026 |
| EBITDA | 5 | 27 | 30 | 43 | 48 | 23 | 7 | 9 | 25 | 64 | 126 | 3 | 409 | 439 | 487 |
| **Home Services** | | | | | | | | | | | | | | | |
| Revenue | $131 | $163 | $130 | $129 | $163 | $135 | $132 | $163 | $125 | $129 | $159 | $131 | $1,690 | $1,610 | $1,629 |
| Gross Margin | 95 | 119 | 94 | 94 | 118 | 96 | 94 | 118 | 90 | 94 | 116 | 96 | 1,222 | 1,122 | 1,112 |
| EBITDA | 19 | 22 | 18 | 19 | 22 | 18 | 19 | 23 | 17 | 18 | 22 | 19 | 235 | 210 | 211 |
| **Financial Services** | | | | | | | | | | | | | | | |
| Revenue | $3 | $3 | $2 | $3 | $7 | $5 | $5 | $5 | $5 | $3 | $4 | $5 | $49 | $51 | $53 |
| EBITDA | 3 | 3 | 2 | 2 | 6 | 5 | 4 | 4 | 5 | 2 | 3 | 5 | 44 | 46 | 48 |
| **Other Businesses** | | | | | | | | | | | | | | | |
| Kenmore / Craftsman / DieHard EBITDA | ($1) | ($1) | ($0) | ($1) | ($1) | ($1) | ($1) | ($1) | ($1) | ($1) | ($1) | ($0) | ($7) | ($7) | ($7) |
| Monark EBITDA | (1) | 0 | (1) | (1) | (0) | 0 | 0 | 1 | (1) | (0) | (0) | (0) | (3) | (2) | (1) |
| **Overhead and Adjustments** | | | | | | | | | | | | | | | |
| Supply Chain and Innovel | ($15) | ($16) | ($15) | ($15) | ($18) | ($15) | ($15) | ($16) | ($15) | ($19) | ($23) | ($16) | ($197) | ($202) | ($208) |
| PA Corporate Level EBITDA Adjustment (1) | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Member Services Organization (2) | (2) | (2) | (2) | (2) | (2) | (2) | (2) | (2) | (2) | (2) | (2) | (2) | (23) | (24) | (24) |
| Home Office / Corporate SG&A | (40) | (38) | (37) | (37) | (35) | (30) | (24) | (24) | (25) | (25) | (24) | (24) | (365) | (296) | (302) |
| **Total SHC EBITDA** | **($31)** | **($6)** | **($5)** | **$8** | **$20** | **($1)** | **($11)** | **($7)** | **$3** | **$38** | **$101** | **($15)** | **$94** | **$165** | **$204** |
| **Retail EBITDA Detail** | | | | | | | | | | | | | | | |
| Brick and Mortar 4-Wall EBITDA | ($9) | $4 | $16 | $26 | $26 | $8 | ($10) | ($10) | $13 | $43 | $92 | ($14) | $184 | $204 | $240 |
| Vendor Discounts & Other Adjustments | 6 | 8 | 6 | 7 | 9 | 6 | 7 | 8 | 6 | 10 | 13 | 8 | 94 | 97 | 101 |
| Sears Auto Center EBITDA | 3 | 5 | 3 | 3 | 4 | 3 | 4 | 2 | 0 | 4 | 6 | 3 | 41 | 44 | 47 |
| Online EBITDA | (0) | (0) | (0) | (0) | (0) | (0) | (0) | (0) | (0) | (0) | (0) | (0) | (1) | 1 | 2 |
| ShopYourWay EBITDA | 5 | 10 | 5 | 6 | 9 | 6 | 7 | 8 | 6 | 7 | 15 | 6 | 91 | 93 | 97 |
| **Total Retail EBITDA** | **$5** | **$27** | **$30** | **$43** | **$48** | **$23** | **$7** | **$9** | **$25** | **$64** | **$126** | **$3** | **$409** | **$439** | **$487** |

(1) SHC level EBITDA adjustment related to the protection agreement business.
(2) Call center support allocated at corporate level.

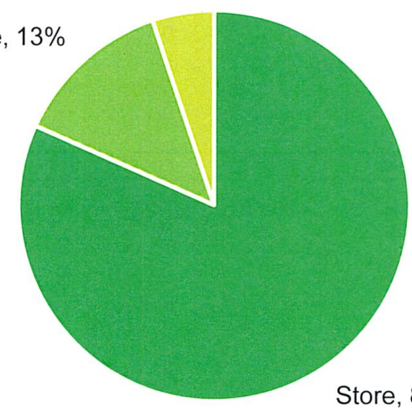
Weil LAZARD M-III PARTNERS

# A smaller but balanced Sears and Kmart footprint delivers $409mm of 4-wall EBITDA in 2019

## Business Overview

- Sears' Retail Business consists of its 266 Sears Stores, 239 Kmart Stores and their respective Online presences
- The business is broken into the primary categories below:
  - Hardlines – composed of Home Appliances (HA), Consumer Electronics, Tools, Lawn & Garden, Outdoor Living, Sporting Goods, Mattresses, and Monark businesses
  - Softlines – composed of Apparel, Footwear, Home, and Jewelry businesses; these businesses sell an assortment of proprietary brands as well as third-party retail options
  - Sears Auto Centers – a multi-channel automotive aftermarket service provider offering replacement tires, mechanical diagnostics and repair, vehicle maintenance products and services, batteries and battery-related accessories, as well as automotive accessories and chemicals for cars and light trucks
  - Grocery & Drugstore, Pharmacy, and Children's Entertainment & Seasonal – sells grocery, household and pet supplies, beauty care, OTC health & wellness, stationery, party supplies, children's entertainment products, seasonal merchandise, dispenses prescription drugs and performs clinical services

## Revenue by Segment



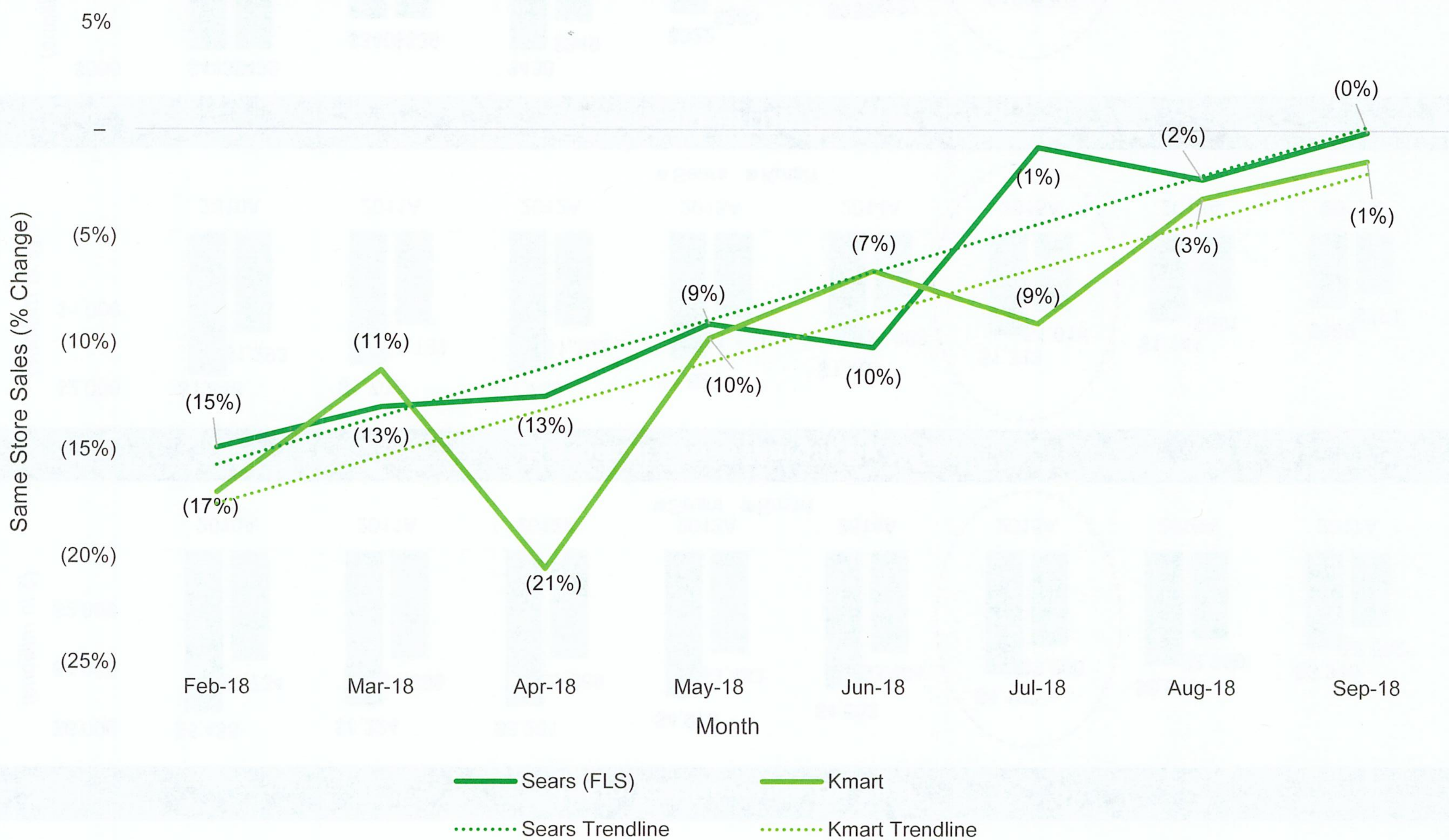

FY 2019E Revenue: $6.6bn Revenue

## Preliminary 2019E Forecasted Financials

| ($ mm) | Feb 2019 | Mar 2019 | Apr 2019 | May 2019 | Jun 2019 | Jul 2019 | Aug 2019 | Sep 2019 | Oct 2019 | Nov 2019 | Dec 2019 | Jan 2020 | FY19 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Retail** | | | | | | | | | | | | | |
| *Same Store Sales (% Change)* | *(1.0%)* | *(1.0%)* | *(1.0%)* | – | – | – | *1.0%* | *1.0%* | *1.0%* | *2.0%* | *2.0%* | *2.0%* | *0.6%* |
| Brick and Mortar Revenue | $330 | $426 | $341 | $412 | $502 | $363 | $381 | $436 | $363 | $547 | $741 | $405 | $5,247 |
| Sears Auto Center Revenue | 27 | 34 | 26 | 27 | 32 | 25 | 25 | 29 | 21 | 27 | 33 | 23 | 329 |
| Online Revenue | 85 | 54 | 89 | 92 | 69 | 66 | 79 | 62 | 78 | 98 | 60 | 72 | 905 |
| ShopYourWay | 5 | 11 | 6 | 7 | 9 | 7 | 7 | 9 | 6 | 7 | 16 | 7 | 97 |
| **Total Revenue** | **$447** | **$525** | **$463** | **$538** | **$613** | **$461** | **$492** | **$536** | **$468** | **$680** | **$850** | **$506** | **$6,578** |
| (-) COGS | (328) | (369) | (322) | (379) | (433) | (324) | (368) | (394) | (329) | (485) | (579) | (375) | (4,687) |
| **Gross Margin** | **$119** | **$155** | **$140** | **$159** | **$180** | **$136** | **$123** | **$141** | **$139** | **$195** | **$271** | **$132** | **$1,891** |
| *Margin (%)* | *27%* | *30%* | *30%* | *29%* | *29%* | *30%* | *25%* | *26%* | *30%* | *29%* | *32%* | *26%* | *29%* |
| (-) Operating Expenses | ($114) | ($129) | ($110) | ($116) | ($133) | ($113) | ($116) | ($133) | ($114) | ($131) | ($145) | ($128) | ($1,482) |
| **Retail EBITDA** | **$5** | **$27** | **$30** | **$43** | **$48** | **$23** | **$7** | **$9** | **$25** | **$64** | **$126** | **$3** | **$409** |
| *Margin (%)* | *1%* | *5%* | *7%* | *8%* | *8%* | *5%* | *2%* | *2%* | *5%* | *9%* | *15%* | *1%* | *6%* |

# Same-store sales comps were beginning to stabilize pre-petition

## 2018 YTD Same Store Sales Comps (% change)




Note: Same-store comps based on Company data.

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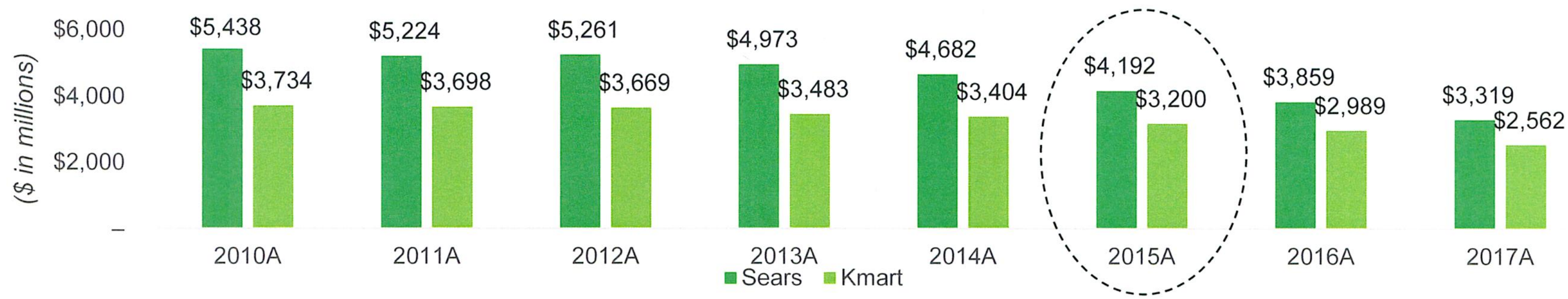
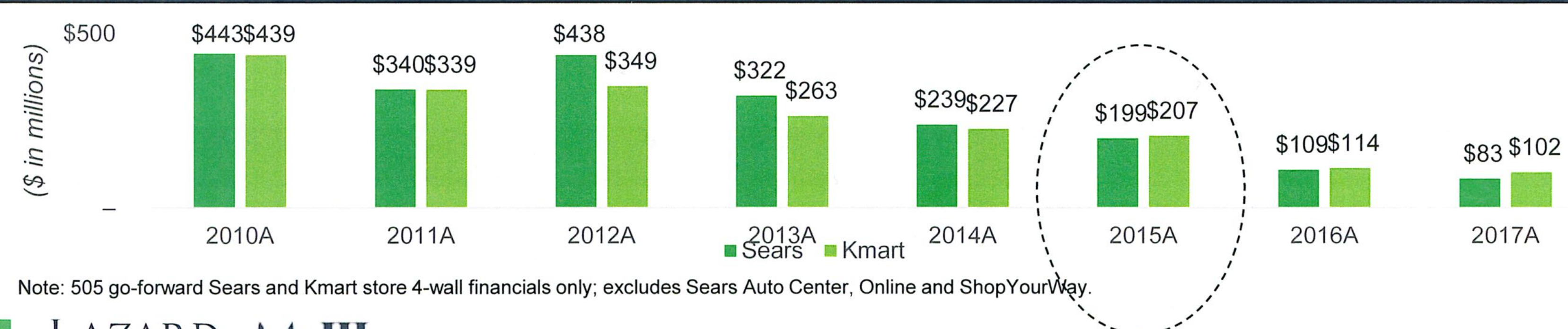
# The 505 go-forward stores in the plan delivered over $7bn of revenue and over $400mm of EBITDA in 2015

## Historical Revenue By Year




## Historical Gross Margin By Year


## Historical EBITDA By Year




Note: 505 go-forward Sears and Kmart store 4-wall financials only; excludes Sears Auto Center, Online and ShopYourWay.

Weil LAZARD M-III PARTNERS

# Apparel has demonstrated a major turnaround over the last year

**YTD Business Operating Profit Up $60mm vs. Adjusted LY and 2017 up $270mm Over Prior Year**

- **Right Size of the Buy**
  - Discipline around Seasonal buy by Category and by store
  - Sales plan target communicated to Merchandising team ahead of the oversea buying trip
  - Simulation done by Finance on expected In-Season and Post-Season revenue and margin for each of the Divisions and total Business Units
  - $64mm in lower markdowns vs. last year at the end of October
- **Assortment Rationalization and Brand Consolidation**
  - Number of SKUs has been reduced by 32% in FW18 vs. FW17 and by 61% vs 2016
  - Brand consolidation or expansion since we merged buying teams serving both Sears and Kmart in July 2017
  - Jaclyn Smith brand at Kmart rolled out to Sears
  - Key sellers rolled out into both formats (Basic Edition from Kmart into Sears)
- **Product Cost savings**
  - $12mm FOB savings in 2018 on top of $80mm in 2017 as a result of moving from Domestic to Import vendors
  - Receipts moved from 30% import to 60% vs. Domestic from 2016 to 2018
  - Built Cross-Sourcing capabilities, including vendor's direct design
- **Execution Excellence**
  - Implemented forecast by product and store by week since 2017
  - Put in place drilled-down reporting capabilities by key demographic, store, product, and day to identify exceptions and drive replenishment actions and inform allocation
  - Weekly Trading Meeting focused on immediate actions based on last week's results including members, store, pricing, inventory, and sourcing metrics
  - Implemented competitor data tool in order to identify assortment gap and pricing opportunities

# Part of Apparel's success is through stabilizing markdowns and points investment

## Apparel Financial Performance

- Apparel delivered $118mm in additional gross profit and $58mm in business operating profit vs. last year due to markdown savings and better sourcing cost
- Margin rate of 39.4% is 630bps improved vs. last year
- Gross margin dollars with points flat vs. last year from additional SYW investments

| | October YTD | | |
|---|---|---|---|
| *($ in millions)* | 2017 | 2018 | Δ |
| **Apparel** | | | |
| Revenue | 1,435 | 1,505 | 70 |
| *% Growth* | | *4.9%* | |
| Markdowns | 414 | 350 | (64) |
| *% Markdowns* | *28.8%* | *23.2%* | *(5.6%)* |
| Gross Profit | 475 | 593 | 118 |
| *% Gross Profit* | *33.1%* | *39.4%* | *6.3%* |
| SYW | (87) | (173) | (86) |
| *% SYW* | *(6.0%)* | *(11.5%)* | *(5.4%)* |
| Gross Margin Dollars | 443 | 443 | 0 |
| *% Gross Margin Dollars* | *30.9%* | *29.5%* | *(1.4%)* |
| Expenses | 601 | 543 | (58) |
| *% Expenses* | *41.9%* | *36.1%* | *(5.8%)* |
| Business Operating Profit | (158) | (100) | 58 |
| *% Business Operating Profit* | *(11.0%)* | *(6.6%)* | *4.4%* |

# Management has significant growth initiatives to drive success in 2019

## Retail Revenue and Profitability Initiatives

| | Initiatives & Commentary | Revenue Impact | EBITDA Impact |
|---|---|---|---|
| Margin Rate | • In-Stock Improvements: In-stock on top items, sizing, single item replenishment, demand driven model<br>• Pricing to Fund Points: Reduction in promotional and clearance markdowns<br>• Vendor Management: Improved allowance collections by leveraging points marketing & consolidation of vendors<br>• Import Sourcing Strategy: Softlines import volume improvement in first cost | + $[225] | + $[100] |
| Sears Stores | • Hardlines Growth Initiatives: Free delivery, marketing, leasing & mores of Kenmore<br>• Softlines Growth Initiatives: Product initiatives, excluding replenishment enhancements<br>• Local Store Initiatives: Local strategic merchandising, promo, pricing & payroll management<br>• Lifestyles & Movers Member Journeys: Member journey category projections for lifestyles and new home/movers | + $[500] | + $[100] |
| Kmart Stores | • Softlines Growth Initiatives: Product initiatives, excluding replenishment enhancements<br>• Local Store Initiatives: Local strategic merchandising, promo, pricing & payroll management via simple store<br>• Toys & Other Hardlines Growth: Product initiatives in Toys, Sporting Goods & Outdoor Living<br>• Live Well/Get Fit Member Journeys: Member journey category projections for live well/get fit<br>• Own Brand Growth: Grocery and drug shift to private label brands | + $[180] | + $[50] |
| Online | • Exclusion of SYW Points on Free Ship: Currently members are allowed to use their SYW points for their entire purchase which includes the $35 dollar minimum threshold for free delivery<br>• eBay Member Launch: Have eBay offer a curated assortment on Sears; fill brand and assortment gaps which will drive incremental GMV<br>• Product Recommendations: Include store purchase data in recommendations online to improve recommendations for members that shop in-store and online<br>• Single Page Checkout: Customers often abandon cart / checkout due to a lengthy process; single Page Checkout will allow a customer to quickly checkout, increasing conversion<br>• Basket Building: Ability to message member when they are close to hitting a promo threshold to increase AOV and conversion | + $[100] | + $[15] |

Note: Initiatives are partially represented in the 2019 plan numbers, but not fully included.

# Large potential small footprint upside represents an opportunity to outperform the base 2019 plan as not included but will require capital investment

## Business Overview

- Targeting 100 locations by the end of 2020
- Store size: 7,500 to 20,000 sq/ft (leased)
- Local personalized shopping experience benefiting the community through the Sears and ShopYourWay ecosystem
- Products & services tailored to the community:
  - Home Appliances
  - Home Services (Repair, Parts, Home Improvement)
  - Connected Solutions (IoT products)
  - Financing options for every member
    - ShopYourWay 5-3-2-1 card
    - Leasing
    - Layaway
  - Shop Your Way Products and Services
  - Mattresses (when over 10k ft2)
  - Other community relevant products when space permits and based on local demographics and needs (seasonal product, tools, fitness, etc.)
- Highly trained consultative experts that focus on helping customers with
- large purchases and home solutions
- In-home support and consultation
- Unlimited service opportunities and solutions; Service Live

## Financial Summary (2018E)

*(4 Operating Stores)*

Proof of Concept

| *($ in 000s)* | 2018F |
|---|---|
| **Sales** | $ 23,882 |
| **Gross Margin** | 7,435 |
| *GM %* | *31%* |
| **Operating Expenses** | 5,557 |
| **EBITDA** | 1,878 |
| *EBITDA %* | *8%* |
| **EBITDAR** | 3,065 |
| *EBITDAR %* | *13%* |
| **IRR** | 36% |
| **Payback** | 3.75 yrs |

* Assumes $475k for corporate home office expenses

| Description | Store Economics |
|---|---|
| **Gross SF** | 7,500 to 20,000 |
| **Selling SF** | 6,750 to 18,000 |
| **Annualized Sales** | $4M - $8M |
| *Sales per/GSF* | *$400 - $500* |
| **EBITDA $** | $.4m - $1.0m |
| *EBITDA %* | *~8%* |
| **EBITDAR $** | $.6m - $1.4m |
| *EBITDAR %* | *~13%* |
| **Capital Investment** | $1.4m - $1.8m |
| **IRR** | 30% -60% |
| **Payback** | 3 - 4 yrs |

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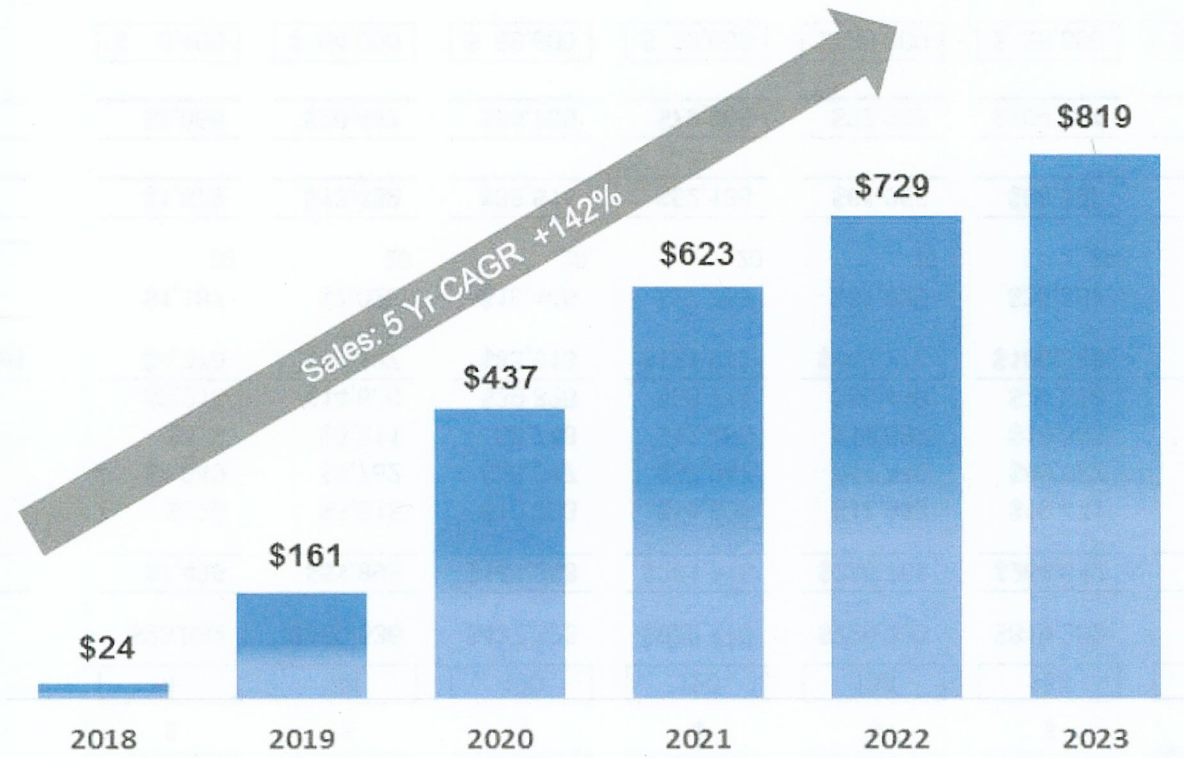
# Opening small footprint stores represents a major growth opportunity

## Small Store Scale Opportunity




| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Stores | 4 | 40 | 56 | 20 | 18 | 16 | 154 |
| Capital Investment * | $6M | $64M | $90M | $32M | $29M | $25M | $246M |

*excludes working capital (inventory, etc.)

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# With a payback period of 3 – 4 years, small footprint stores have a high return on invested capital and can scale quickly

## Financial Summary

| ($ in 000s) | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total | |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | % Sales |
| Store Count: | 4 | 44 | 100 | 120 | 138 | 154 | 154 | |
| **Net Sales** | $23,882 | $160,536 | $437,323 | $622,770 | $729,333 | $819,289 | $2,793,134 | |
| **Gross Margin** | **$7,435** | **$51,895** | **$141,368** | **$201,316** | **$235,763** | **$264,842** | **$902,619** | 32.3% |
| Fixed Payroll Expense | $526 | $3,815 | $10,393 | $14,801 | $17,333 | $19,471 | $66,339 | 2.4% |
| Variable Payroll Expense | $1,349 | $9,782 | $26,647 | $37,947 | $44,440 | $49,922 | $170,087 | 6.1% |
| Corporate Overhead | $478 | $3,211 | $8,746 | $12,455 | $14,587 | $16,386 | $55,863 | 2.0% |
| Other Expenses | $2,016 | $14,620 | $39,826 | $56,714 | $66,418 | $74,610 | $254,204 | 9.1% |
| **Expenses (Excl Rent, Depr)** | **$4,370** | **$31,427** | **$85,613** | **$121,917** | **$142,778** | **$160,388** | **$546,493** | 19.6% |
| **Rent, CAM & Tax** | $1,187 | $7,028 | $19,145 | $27,263 | $31,929 | $35,867 | $122,418 | 4.4% |
| Per Square Foot | 20 | 20 | 20 | 20 | 20 | 20 | 20 | |
| **EBITDA** | **$1,879** | **$13,439** | **$36,611** | **$52,136** | **$61,056** | **$68,587** | **$233,708** | 8.4% |
| **EBITDAR** | **$3,065** | **$20,467** | **$55,756** | **$79,399** | **$92,985** | **$104,454** | **$356,126** | 12.8% |
| Store Capital | $ 6,400 | $ 64,000 | $ 89,600 | $ 32,000 | $ 28,800 | $ 25,600 | $ 246,400 | |
| Depreciation | $ 200 | $ 1,800 | $ 6,200 | $ 10,200 | $ 11,700 | $ 12,500 | $ 42,600 | |

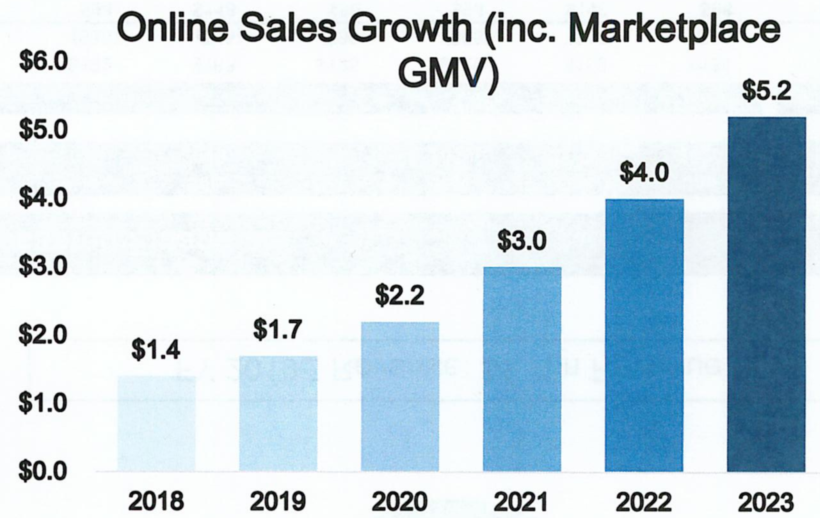
Weil LAZARD M-III PARTNERS

# The Online team is focused on delivering significant growth to retail

## Online Growth Strategy

- The online growth plan emphasizes on driving 3 areas of focus:
  1. Improve the basics – visits, conversion rates, and average order value (AOV)
  2. Deliver needle mover initiatives
  3. Instill operational excellence

**To achieve this growth plan ($1.3bn incremental revenue by ‘21 and $3.5bn by ‘23), we will need to invest primarily in talent acquisition and technology improvements (redo); both to be defined**




## Key Growth Initiatives

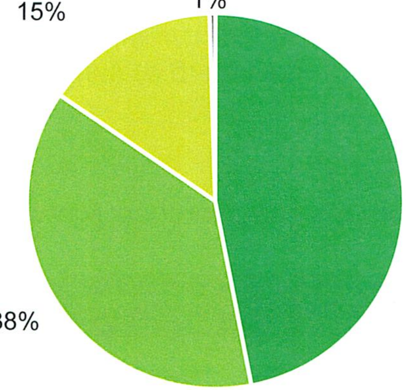
- Improve conversion metrics over time to industry average (each 0.1 increase on a $1.5bn business equates to $150mm)
- Drive personalization with machine learning
- Leverage marketplace to accelerate selection growth with all core platform capabilities (e.g. leasing)
- Deliver a best-in-class experience for our best categories (Home Appliances and Apparel)
- Continue Mobile First – Accelerate app adoption (2x higher conversion rate than mobile web)
- Test new business models: test before you buy (apparel and footwear), appliance upgrade payment model (allow members to upgrade to latest innovation), subscription services (consumables, apparel, and other frequency categories)
- Reconfigure our fulfillment network to be “less dependent” on fusion sales

# Sears Home Services is a major EBITDA contributor to SHC

## Business Overview

- Sears Home Services ("SHS") provides repair services and service contracts for appliances, electronics, outdoor power equipment, residential heating & cooling systems, power tools and fitness equipment
- The largest provider of appliance and lawn & garden parts for the DIY community at 2-3x the next largest competitor
  - The PartsDirect business has over 130k SKUs on Amazon and eBay marketplaces
  - 88% of customers that purchase on Amazon are new to Sears
- SHS provides a comprehensive suite of service contracts for single appliances or warranties for all appliances in the home
- The largest broad line provider of product repair services to SHC customers, manufacturers, third party administrators, insurance & warranty companies and general consumers
- Franchise services include carpet & upholstery care, air duct cleaning & indoor air quality, garage solutions, maid services and handyman solutions

## Revenue by Segment




FY 2019E Revenue: $1.7bn Revenue

## Preliminary 2019 Forecasted Financials

| ($ mm) | Feb 2019 | Mar 2019 | Apr 2019 | May 2019 | Jun 2019 | Jul 2019 | Aug 2019 | Sep 2019 | Oct 2019 | Nov 2019 | Dec 2019 | Jan 2020 | FY19 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Home Services** | | | | | | | | | | | | | |
| Revenue | $131 | $163 | $130 | $129 | $163 | $135 | $132 | $163 | $125 | $129 | $159 | $131 | $1,690 |
| (-) COGS | ($36) | ($44) | ($36) | ($34) | ($45) | ($39) | ($38) | ($45) | ($36) | ($35) | ($43) | ($36) | ($468) |
| **Gross Margin** | **$95** | **$119** | **$94** | **$94** | **$118** | **$96** | **$94** | **$118** | **$90** | **$94** | **$116** | **$96** | **$1,222** |
| *Margin (%)* | *72%* | *73%* | *72%* | *73%* | *72%* | *71%* | *71%* | *72%* | *72%* | *73%* | *73%* | *73%* | *72%* |
| (-) Operating Expenses | ($76) | ($97) | ($76) | ($75) | ($96) | ($77) | ($76) | ($95) | ($73) | ($75) | ($94) | ($77) | ($987) |
| **EBITDA** | **$19** | **$22** | **$18** | **$19** | **$22** | **$18** | **$19** | **$23** | **$17** | **$18** | **$22** | **$19** | **$235** |
| *Margin (%)* | *14%* | *14%* | *14%* | *15%* | *14%* | *14%* | *14%* | *14%* | *13%* | *14%* | *14%* | *15%* | *14%* |

Note: Excludes SHIP.

# SHS Is Positioned for Growth with Industry-Leading Breadth of Products, Services, and Fulfillment Capabilities

***Focused on expanding SHS's position as a trusted partner for home service needs, delivering exceptional experiences through an integrated fulfillment model***


| Current Services Portfolio | **Protect** (Service Contracts) | **Fix** (In-Home Repair) | **Do-It-Yourself ("DIY")** (Parts Direct) | **Maintain** (Franchise) |
|---|---|---|---|---|
| | ▪ Protection Agreements<br>▪ Home Warranty<br>▪ Replacement Plans | ▪ In-Home Service & Repair<br>▪ Direct to Consumer<br>▪ Support of Protection Agreements<br>▪ Serving the industry | ▪ E-commerce site for appliances and lawn & garden parts<br>▪ Parts sold on 3rd party marketplaces | ▪ Carpet & Upholstery Cleaning<br>▪ Duct Cleaning<br>▪ Floor & Tile Cleaning<br>▪ Handyman & Maid |

***Utilizing an end-to-end customer solution across a suite of services & product offerings is core to the SHS growth strategy***

Source: Company management.

# The SHS team sees significant opportunity to grow sales and profitability

## Included in the Forecast

**2018E**

**$1.4B Revenue**

**$165M EBITDA**

**$100M Revenue**

**Grow B2B Volume**

Significant opportunity to grow by 30% for the next two years as we reestablish relationships with B2B community

**$50M Revenue**

**Grow D2C Volume**

We have proven, through advertising and improved response times that we can grow D2C volume

**$100M Revenue**

**Invest in PD website rebuild and IHR mobile technology for techs**

Building best in class mobile centric PD website and deploying tech handheld technology

**2021E**

## Incremental Opportunities with Sufficient Capital

**2019**

**$25M EBITDA**

**Improved Contract Terms and Benefits**

Improved Financial Strength results in improved terms w/OEMs, reduced employee attrition, larger workforce & capacity, higher caliber employees

**2019**

**$60M EBITDA**

**Accelerate Market Share Growth**

Grow D2C, B2B, SHIP and HW Market Share through accelerating technician and sales capacity

**2020**

**$75M Revenue**

**Expand Service Contract Sales beyond Sears Ecosystem**

Increase Advertising and Distribution Channels to sell PA and HW to customers outside of Sears customer base

**2021**

**$40M Revenue**

**Expand Reach beyond**

Build or Buy a platform to expand reach into other trades (plumbing, electricians etc.) drive incremental revenue and to create opportunitie s to sell PA and HW

**2021E**

***Current and Incremental Opportunities to Grow Revenue and EBITDA***

sears HOME SERVICES

Note: Items depicted do not make up 100% of incremental revenue; 2018E excludes SHIP

# There is a large opportunity to grow the B2B in-home repair business

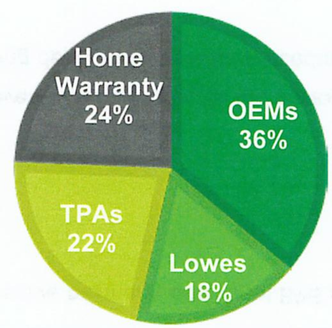
## Business Overview

- In February 2018 shifted strategy to include a focus on serving the industry
  - OEMs, warranty companies, 3rd party administrators
  - There is more demand than supply in the marketplace
- Rationale was two fold:
  - Minimize dependency on Sears retail
  - Take advantage of nationwide reach and growing volume of external service call demand
- Initial skepticism in the marketplace
  - Sears pricing was much higher than the marketplace and quality was below par
- Through improved account management and pricing alignment Sears was given incremental "test" business to prove our commitment to the space
- Recently won 30% of large OEMs volume, up from 1% previously
- Large warranty provider has increased service volume awarded to SHS by 50%

## In-Home Call Volume

- B2B volume up 30% in the last 17 weeks of the year vs the first 17 week of the year
- However B2B call volume is up 44% over the last 12 weeks vs prior year and up 55% over the last 4 weeks vs prior year
- Continue to gradually increase B2B volume across the client base
- Plan for 30% volume increase in each of the next two fiscal years
- Currently have ~8% market share of the 8M+ annual B2B repair call market

B2B MARKET SIZE IS 8.6M ANNUAL REPAIRS




| B2B Type | Annual Repair Volumes (M) |
|---|---|
| OEMs | 3.1 |
| Lowes | 1.5 |
| TPAs | 1.9 |
| Home Warranty | 2.1 |
| Total | 8.6 |

Weil LAZARD M-III PARTNERS

# Assurant is providing a 3rd party protection agreement solution to ensure SHC can continue to sell protection agreements to its members

## Commentary

- Assurant has best overall economics (especially in the aftermarket), 3 year term, no upfront reserve payment, additional B2B service volume
- Pre-petition, we were collecting ~$12.5M of cash per week
  - Currently collecting ~$2.5M of cash per week due to suspended sales in 34 states
  - With Assurant solution, we will collect ~$5.5M of cash per week
- Margin impact over the life of a PA contract is $4 less than pre-petition
  - Year one (one time) 4x improvement to SHS PA contract EBITDA due to immediate revenue recognition; $8 increasing to $32 on a per policy basis
- Will be live in 39 states immediately after contract signing, final 11 states will have various timing depending on state procedures
  - Goal is to have all states live by Thanksgiving
- We will continue to use our existing programs, so no need for re-training or operational change other than collateral for term and conditions
  - Retail continues to get full commission on sales
- Sears Home Services retains ownership of the customer

## Summary of Terms

### No Underwriter

| | Retail | | | Aftermarket | |
|---|---|---|---|---|---|
| | Price | $200 | | Price | $144 |
| 25% | Loss cost | ($49) | 58% | Loss cost | ($84) |
| 100% | TLR | $0 | 100% | TLR | $0 |
| | Dealer Net | ($49) | | Dealer Net | ($84) |
| 4% | Admin Reserve | ($9) | 10% | Admin Reserve | ($15) |
| 0.0% | Risk/UW/IPT Fee | $0 | 0.0% | Risk/UW/IPT Fee | $0 |
| | Total Reserves | ($58) | | Total Reserves | ($99) |
| | Revenue (Initial Cash) | $200 | | Revenue (Initial Cash) | $144 |
| 50% | Retail | ($100) | 12% | Acquisition | ($17) |
| | SHS (Excess) | $100 | | SHS (Excess) | $127 |
| | Total Expenses | ($58) | | Total Expenses | ($99) |
| 100% | Profit Share | $0 | 100% | Profit Share | $0 |
| | Home Services | $42 | | Home Services | $28 |
| | *Sears Total (excl 9.5% comm)* | *$142* | | *Sears Total* | *$28* |
| | *Margin %* | *71%* | | *Margin %* | *19%* |

### Assurant

| | Retail - Sears | | | | Aftermarket | |
|---|---|---|---|---|---|---|
| | Price | $200 | | | Price | $144 |
| 25% | Loss cost | ($49) | | 58% | Loss cost | ($84) |
| 90% | TLR | ($5) | | 90% | TLR | ($9) |
| | Dealer Net | ($54) | | | Dealer Net | ($93) |
| 4% | Admin Reserve | ($9) | | 10% | Admin Reserve | ($15) |
| 6.5% | Risk/UW/IPT Fee | ($4) | | 6.5% | Risk/UW/IPT Fee | ($6) |
| | Total Reserves | ($67) | *16%* | | Total Reserves | ($114) |
| | Revenue (Initial Cash) | $133 | *-33%* | | Revenue (Initial Cash) | $30 |
| 50% | Retail | ($100) | | 12% | Acquisition | ($17) |
| | SHS (Excess) | $33 | | | SHS (Excess) | $12 |
| | Total Expenses | $0 | | | Total Expenses | $0 |
| 80% | Profit Share | $4 | | 80% | Profit Share | $7 |
| | Home Services | $38 | *-11%* | | Home Services | $20 |
| | *Sears Total (excl 9.5% comm)* | *$138* | *-3%* | | *Sears Total* | *$20* |
| | *Margin %* | *69%* | | | *Margin %* | *14%* |

Weil LAZARD M-III PARTNERS

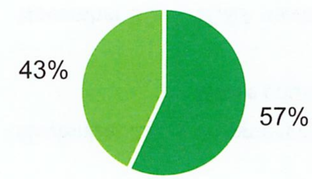
# The Citi credit card agreement drives incremental profitability for SHC

## Business Overview

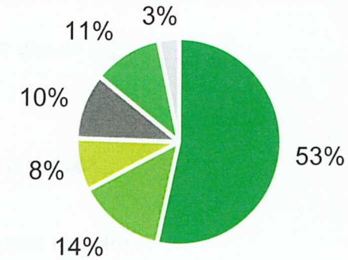
- The SYW Financial Services Business Unit ("SYWFS") provides credit, financial products, and payments solutions through a number of retail formats, as well as in online and commercial channels
- Diverse product portfolio includes:
  - Consumer Credit (Private Label and General Purpose Cards)
  - Third Party Payment Options (Visa, MasterCard, American Express, Discover, PIN Debit)
  - Layaway
  - Gift Card
  - Alternative Financial Services (Check Cashing, Bill Pay, etc.)
- Provides financing options to support customers' ability to pay and drive incremental visits and profits to SHC retail locations and increase loyalty and of customers to SHC via the SYW rewards program
- Citi card agreement also saves the Company ~$45mm of interchange fees which are not included as part of the business unit's EBITDA

## Revenue by Segment

### Store Related Revenue [1]




### Non-Pass Through Revenue




FY 2019E Revenue: $49mm Revenue

## Preliminary 2019E Forecasted Financials

| ($ mm) | Feb 2019 | Mar 2019 | Apr 2019 | May 2019 | Jun 2019 | Jul 2019 | Aug 2019 | Sep 2019 | Oct 2019 | Nov 2019 | Dec 2019 | Jan 2020 | FY19 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Financial Services** | | | | | | | | | | | | | |
| Revenue | $3 | $3 | $2 | $3 | $7 | $5 | $5 | $5 | $5 | $3 | $4 | $5 | $49 |
| (-) Operating Expenses | ($0) | $0 | ($0) | ($0) | ($1) | ($0) | ($1) | ($1) | ($0) | ($1) | ($1) | ($0) | ($5) |
| **EBITDA** | **$3** | **$3** | **$2** | **$2** | **$6** | **$5** | **$4** | **$4** | **$5** | **$2** | **$3** | **$5** | **$44** |

(1) Revenue by segment based on LTM revenue as reported by the Company

Weil LAZARD M-III PARTNERS

# SG&A reductions are already underway

**OCTOBER**

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 |
| 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| 21 | 22 | 23 | 24 | 25 | 26 | 27 |
| 28 | 29 | 30 | 31 | | | |

**NOVEMBER**

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | | | | 1 | 2 | 3 |
| 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 11 | 12 | 13 | 14 | 15 | 16 | 17 |
| 18 | 19 | 20 | 21 | 22 | 23 | 24 |
| 25 | 26 | 27 | 28 | 29 | 30 | |

**DECEMBER**

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | | | | | | 1 |
| 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| 16 | 17 | 18 | 19 | 20 | 21 | 22 |
| 23 | 24 | 25 | 26 | 27 | 28 | 29 |
| 30 | 31 | | | | | |

**JANUARY**

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| 20 | 21 | 22 | 23 | 24 | 25 | 26 |
| 27 | 28 | 29 | 30 | 31 | | |

Internal Date

Key Date

| DATE(S) | EVENT |
|---|---|
| October 29 | Commence wave 1 of store closures (142 stores) |
| October 30 | Initial SG&A reduction by month due from businesses with by month pacing including any investment if applicable |
| October 31 | Finalize SG&A reduction plan along with names of any initial cuts to be done before Thanksgiving. HR to begin RIF process |
| November 2 | HR submission of impacted names to Legal for review |
| November 8 | Potential buyer to notify which stores to purchase. All other stores to commence closure process |
| November 15 | SG&A wave 1 employee notices to begin |
| November 21 | Commence wave 2 of store closures [Store count TBU] |
| November 30 | SG&A wave 2 names of cuts due to HR |
| January 17 | SG&A wave 2 reduction to be completed |

# SHC will reduce ~$1.2bn of spend to a less than $600mm annual run-rate

| | Full Year (Annualized) | | | | | |
|---|---|---|---|---|---|---|
| ($ in 000s) | Current Run-Rate | Run-Rate Target | Initial Cuts Identified Nov 1 | Pro Forma Run-Rate | % of Cuts Identified | % of Target Identified |
| ***Core (Retailing)*** | | | | | | |
| Buying Organization | 111,912 | 50,000 | (54,699) | 57,212 | 48.9% | 87.4% |
| Retail Services & Online | 89,928 | 50,000 | (40,906) | 49,022 | 45.5% | 102.0% |
| Marketing | 174,888 | 50,000 | (129,690) | 45,198 | 74.2% | 110.6% |
| **Total CORE (Retailing)** | **376,727** | **150,000** | **(225,296)** | **151,432** | **59.8%** | **99.1%** |
| ***Back Office*** | | | | | | |
| Legal | 33,218 | 11,207 | (17,502) | 15,716 | 52.7% | 71.3% |
| Accounting | 27,454 | 9,262 | (8,402) | 19,052 | 30.6% | 48.6% |
| FP&A | 1,759 | 593 | - | 1,759 | 0.0% | 33.7% |
| GM Team | 505 | 170 | (505) | - | 100.0% | NA |
| Internal Audit | 1,756 | 592 | (628) | 1,128 | 35.8% | 52.5% |
| Procurement | 4,940 | 1,667 | (3,410) | 1,530 | 69.0% | 108.9% |
| Risk Management | 1,453 | 490 | (298) | 1,155 | 20.5% | 42.5% |
| Treasury | 8,886 | 2,998 | (2,962) | 5,924 | 33.3% | 50.6% |
| Real Estate[(1)] | 28,406 | 9,583 | (1,485) | 26,921 | 5.2% | 35.6% |
| HR | 22,184 | 7,484 | (13,383) | 8,801 | 60.3% | 85.0% |
| IT | 165,508 | 55,837 | (102,650) | 62,858 | 62.0% | 88.8% |
| Holding Company & Other | 9,288 | 3,134 | (6,155) | 3,134 | 66.3% | 100.0% |
| **Total Back Office** | **305,357** | **103,018** | **(157,380)** | **147,978** | **51.5%** | **69.6%** |
| ***Home Services and Other*** | | | | | | |
| Home Services | 44,522 | 19,172 | (22,000) | 22,521 | 49.4% | 85.1% |
| Sears Auto Centers | 12,386 | 5,334 | (5,490) | 6,896 | 44.3% | 77.3% |
| Kenmore, Craftsman & Diehard | 11,727 | 5,050 | (6,677) | 5,050 | 56.9% | 100.0% |
| Contract Appliances | 367 | 158 | (209) | 158 | 56.9% | 100.0% |
| Builder Distributors | 930 | 400 | (529) | 400 | 56.9% | 100.0% |
| Connected Living | 1,125 | 484 | (640) | 484 | 56.9% | 100.0% |
| Service Live | 1,662 | 716 | (946) | 716 | 56.9% | 100.0% |
| **Total Home Services & Other Businesses** | **72,719** | **31,315** | **(36,493)** | **36,226** | **50.2%** | **86.4%** |
| **Shop Your Way** | **38,263** | **1,000** | **(32,449)** | **5,814** | **84.8%** | **17.2%** |
| **Gross Healthcare & Benefits** | **37,254** | **25,000** | **(12,254)** | **25,000** | **32.9%** | **100.0%** |
| Supply Chain Home Office | 11,844 | 11,480 | (364) | 11,480 | 3.1% | 100.0% |
| **Total Home Office** | **842,165** | **321,813** | **(464,235)** | **377,930** | **55.1%** | **85.2%** |
| **Call Centers[(2)]** | **31,733** | **23,188** | **(8,545)** | **23,188** | **26.9%** | **100.0%** |
| Supply Chain DC Operations[(3)] | 296,879 | 100,000 | (99,263) | 197,616 | 33.4% | 50.6% |
| **Total** | **1,170,777** | **445,001** | **(572,043)** | **598,734** | **48.9%** | **74.3%** |

*Notes:*
*(1) Real Estate current run-rate removes the $8.9mm EDA tax credit from the city of Hoffman Estates.*
*(2) $31.8mm of Call Centers is not allocated (primarily composed of $21mm of online); MSO reduction target based on the total reduction reported by the MSO team.*
*(3) Includes $73.0mm of total internal margin charge from the stores.*

Weil LAZARD M-III PARTNERS

# With aggressive management, we will see over $500mm of savings in 2019

| | Home Office Monthly Pacing | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *($ in 000s)* | Nov-18 | Dec-18 | Jan-19 | Feb-19 | Mar-19 | Apr-19 | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Jan-20 | FY 2019 | FY 2020 |
| ***Core (Retailing)*** | | | | | | | | | | | | | | | | | |
| Buying Organization | 9,326 | 9,326 | 8,036 | 6,747 | 6,747 | 6,747 | 6,747 | 6,747 | 4,768 | 4,768 | 4,768 | 4,768 | 4,768 | 4,768 | 4,768 | 67,107 | 57,212 |
| Retail Services & Online | 8,886 | 7,138 | 5,269 | 4,085 | 4,085 | 4,085 | 4,085 | 4,085 | 4,085 | 4,085 | 4,085 | 4,085 | 4,085 | 4,085 | 4,085 | 49,022 | 49,022 |
| Marketing | 11,861 | 12,094 | 11,318 | 3,358 | 3,358 | 3,358 | 3,358 | 3,358 | 3,358 | 3,358 | 3,358 | 3,358 | 4,991 | 4,991 | 4,991 | 45,198 | 45,198 |
| **Total CORE (Retailing)** | **30,073** | **28,558** | **24,623** | **14,190** | **14,190** | **14,190** | **14,190** | **14,190** | **12,211** | **12,211** | **12,211** | **12,211** | **13,844** | **13,844** | **13,844** | **161,327** | **151,432** |
| ***Back Office*** | | | | | | | | | | | | | | | | | |
| Legal | 1,693 | 1,310 | 1,310 | 1,310 | 1,310 | 1,310 | 1,310 | 1,310 | 1,310 | 1,310 | 1,310 | 1,310 | 1,310 | 1,310 | 1,310 | 15,716 | 15,716 |
| Accounting | 1,729 | 1,729 | 1,729 | 1,588 | 1,588 | 1,588 | 1,588 | 1,588 | 1,588 | 1,588 | 1,588 | 1,588 | 1,588 | 1,588 | 1,588 | 19,052 | 19,052 |
| FP&A | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 1,759 | 1,759 |
| GM Team | 53 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Internal Audit | 150 | 150 | 150 | 94 | 94 | 94 | 94 | 94 | 94 | 94 | 94 | 94 | 94 | 94 | 94 | 1,128 | 1,128 |
| Procurement | 126 | 245 | 245 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 128 | 1,530 | 1,530 |
| Risk Management | 114 | 114 | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 1,155 | 1,155 |
| Treasury | 669 | 669 | 669 | 494 | 494 | 494 | 494 | 494 | 494 | 494 | 494 | 494 | 494 | 494 | 494 | 5,924 | 5,924 |
| Real Estate[1] | 2,188 | 2,402 | 2,236 | 2,267 | 2,463 | 2,067 | 2,088 | 2,239 | 2,216 | 2,064 | 2,374 | 2,297 | 2,052 | 2,380 | 2,243 | 26,750 | 26,921 |
| HR | 1,438 | 1,357 | 1,136 | 733 | 733 | 733 | 733 | 733 | 733 | 733 | 733 | 733 | 733 | 733 | 733 | 8,801 | 8,801 |
| IT | 15,427 | 14,017 | 14,660 | 16,269 | 15,680 | 15,728 | 15,747 | 15,323 | 12,252 | 6,824 | 6,689 | 6,685 | 5,237 | 5,207 | 5,238 | 126,879 | 62,858 |
| Holding Company & Other | 774 | 697 | 619 | 542 | 464 | 387 | 310 | 261 | 261 | 261 | 261 | 261 | 261 | 261 | 261 | 3,792 | 3,134 |
| **Total Back Office** | **24,508** | **22,836** | **22,997** | **23,667** | **23,197** | **22,771** | **22,734** | **22,411** | **19,318** | **13,738** | **13,913** | **13,832** | **12,139** | **12,436** | **12,331** | **212,486** | **147,978** |
| ***Home Services and Other*** | | | | | | | | | | | | | | | | | |
| Home Services | 2,428 | 2,166 | 1,732 | 1,732 | 2,166 | 1,732 | 1,732 | 2,166 | 1,732 | 1,732 | 2,166 | 1,732 | 1,732 | 2,166 | 1,732 | 22,521 | 22,521 |
| Sears Auto Centers | 85 | 252 | 534 | 622 | 575 | 575 | 575 | 575 | 575 | 575 | 575 | 575 | 575 | 575 | 575 | 6,943 | 6,896 |
| Kenmore, Craftsman & Diehard | 977 | 880 | 782 | 684 | 586 | 489 | 421 | 421 | 421 | 421 | 421 | 421 | 421 | 421 | 421 | 5,547 | 5,050 |
| Contract Appliances | 31 | 28 | 24 | 21 | 18 | 15 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 174 | 158 |
| Builder Distributors | 77 | 70 | 62 | 54 | 46 | 39 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 440 | 400 |
| Connected Living | 94 | 84 | 75 | 66 | 56 | 47 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 532 | 484 |
| Service Live | 138 | 125 | 111 | 97 | 83 | 69 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 786 | 716 |
| **Total HS & Other Businesses** | **3,830** | **3,604** | **3,320** | **3,277** | **3,531** | **2,966** | **2,874** | **3,308** | **2,874** | **2,874** | **3,308** | **2,874** | **2,874** | **3,308** | **2,874** | **36,943** | **36,226** |
| **Shop Your Way** | **738** | **189** | **(264)** | **481** | **413** | **662** | **565** | **304** | **764** | **553** | **369** | **718** | **256** | **233** | **497** | **5,814** | **5,814** |
| **Gross Healthcare & Benefits** | **3,104** | **2,856** | **2,608** | **2,359** | **2,111** | **2,083** | **2,083** | **2,083** | **2,083** | **2,083** | **2,083** | **2,083** | **2,083** | **2,083** | **2,083** | **25,304** | **25,000** |
| Supply Chain Home Office | 1,058 | 1,052 | 1,052 | 1,052 | 1,052 | 988 | 988 | 988 | 988 | 988 | 988 | 988 | 988 | 988 | 957 | 11,957 | 11,480 |
| **Total Home Office** | **63,312** | **59,095** | **54,336** | **45,026** | **44,493** | **43,661** | **43,435** | **43,285** | **38,240** | **32,448** | **32,872** | **32,707** | **32,186** | **32,893** | **32,587** | **453,831** | **377,930** |
| Call Centers[2] | 2,644 | 2,380 | 2,116 | 1,932 | 1,932 | 1,932 | 1,932 | 1,932 | 1,932 | 1,932 | 1,932 | 1,932 | 1,932 | 1,932 | 1,932 | 23,188 | 23,188 |
| Supply Chain DC Operations[3] | 21,730 | 28,542 | 18,361 | 16,021 | 17,617 | 18,957 | 16,204 | 17,443 | 14,087 | 15,149 | 17,536 | 15,053 | 15,857 | 18,580 | 15,807 | 198,311 | 197,616 |
| **Total** | **87,686** | **90,017** | **74,812** | **62,979** | **64,043** | **64,550** | **61,572** | **62,660** | **54,259** | **49,529** | **52,341** | **49,693** | **49,975** | **53,405** | **50,326** | **675,330** | **598,734** |

*Notes:*

*(1) Real Estate current run-rate removes the $8.9mm EDA tax credit from the city of Hoffman Estates.*

*(2) $31.8mm of Call Centers is not allocated (primarily composed of $21mm of online); MSO reduction target based on the total reduction reported by the MSO team.*

*(3) Includes $73.0mm of total internal margin charge from the stores.*

Weil LAZARD M-III PARTNERS

# We have already taken action on over 1,000 total corporate seats

| | Active | | | Open Positions | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| Business | Active | Total Salary | Average Salary | Open | Total Salary | Average Salary | Positions | Total Salary | Average Salary |
| Home Services | 161 | 13,059,052 | 81,112 | 4 | 431,000 | 107,750 | 165 | 13,490,052 | 81,758 |
| Call Centers | 16 | 1,041,485 | 65,093 | - | - | NA | 16 | 1,041,485 | 65,093 |
| Retail (Central support) | 224 | 10,827,899 | 48,339 | 13 | 602,392 | 46,338 | 237 | 11,430,291 | 48,229 |
| Merchants-Off Price | 8 | 563,073 | 70,384 | 4 | 409,555 | 102,389 | 12 | 972,628 | 81,052 |
| Health and Wellness Solutions | 3 | 473,640 | 157,880 | 1 | 105,000 | 105,000 | 4 | 578,640 | 144,660 |
| Sourcing - US | 1 | 109,490 | 109,490 | - | - | NA | 1 | 109,490 | 109,490 |
| KCD | 7 | 856,200 | 122,314 | 4 | 315,000 | 78,750 | 11 | 1,171,200 | 106,473 |
| Human Resources | 28 | 1,680,000 | 60,000 | 5 | 300,000 | 60,000 | 33 | 1,980,000 | 60,000 |
| Legal | 20 | 1,803,906 | 90,195 | 11 | 986,500 | 89,682 | 31 | 2,790,406 | 90,013 |
| Finance | 13 | 1,322,804 | 101,754 | - | - | NA | 13 | 1,322,804 | 101,754 |
| Pricing | 3 | 349,500 | 116,500 | - | - | NA | 3 | 349,500 | 116,500 |
| Procurement | 16 | 1,356,901 | 84,806 | 2 | 250,000 | 125,000 | 18 | 1,606,901 | 89,272 |
| Asset Profit & Protection | 41 | 2,693,427 | 65,693 | 9 | 611,300 | 67,922 | 50 | 3,304,727 | 66,095 |
| Supply Chain/Innovel - Corp | - | - | NA | - | - | NA | - | - | NA |
| Inventory Mgmt | - | - | NA | 6 | 627,500 | 104,583 | 6 | 627,500 | 104,583 |
| Marketing/IMX/Studio | 54 | 4,292,210 | 79,485 | - | - | NA | 54 | 4,292,210 | 79,485 |
| Analytics | 6 | 627,244 | 104,541 | 2 | 392,000 | 196,000 | 8 | 1,019,244 | 127,406 |
| Online | 9 | 934,019 | 103,780 | 33 | 1,884,000 | 57,091 | 42 | 2,818,019 | 67,096 |
| Financial Services | 3 | 450,000 | 150,000 | 2 | 156,000 | 78,000 | 5 | 606,000 | 121,200 |
| Real Estate | 42 | 2,129,817 | 50,710 | 4 | 451,208 | 112,802 | 46 | 2,581,025 | 56,109 |
| Kenmore Direct - CS (Field) | 83 | 2,430,827 | 29,287 | 1 | 65,000 | 65,000 | 84 | 2,495,827 | 29,712 |
| Kenmore Direct - CD (Seattle) | 17 | 1,595,218 | 93,836 | - | - | NA | 17 | 1,595,218 | 93,836 |
| SYW* | 183 | 16,852,941 | 92,093 | 1 | 116,000 | 116,000 | 184 | 16,968,941 | 92,223 |
| MT | - | - | NA | - | - | NA | - | - | NA |
| SHI Analytics | 19 | 815,000 | 42,895 | - | - | NA | 19 | 815,000 | 42,895 |
| **Total Salary** | **957** | **66,264,653** | **69,242** | **102** | **7,702,455** | **75,514** | **1,059** | **73,967,108** | **69,846** |
| Assumed 14% Avg Benefits | 957 | 9,277,051 | 9,694 | 102 | 1,078,344 | 10,572 | 1,059 | 10,355,395 | 9,778 |
| **Total Salary & Benefits** | **957** | **75,541,704** | **78,936** | **102** | **8,780,799** | **86,086** | **1,059** | **84,322,503** | **79,625** |

* SYW has identified 80 positions to be impacted in Israel

Weil LAZARD M-III PARTNERS

# IT is undergoing a major overhaul and reducing overhead from $166mm to $63mm

| | Monthly Pacing | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ($ in 000s) | Nov-18 | Dec-18 | Jan-19 | Feb-19 | Mar-19 | Apr-19 | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Jan-20 | FY 2019 | FY 2020 |
| *IT* | | | | | | | | | | | | | | | | | |
| Total Current Expenses | 16,061 | 16,280 | 15,178 | 16,442 | 17,391 | 14,440 | 14,392 | 13,978 | 14,024 | 13,928 | 13,729 | 13,688 | 13,779 | 13,616 | 12,333 | 171,738 | 158,911 |
| Less: Expense Reductions | (633) | (2,263) | (518) | (172) | (1,710) | 1,288 | 1,355 | 1,345 | (1,772) | (7,104) | (7,039) | (7,003) | (8,542) | (8,410) | (7,061) | (44,827) | (96,053) |
| **Go-Forward Expenses** | **15,427** | **14,017** | **14,660** | **16,269** | **15,680** | **15,728** | **15,747** | **15,323** | **12,252** | **6,824** | **6,689** | **6,685** | **5,237** | **5,207** | **5,271** | **126,912** | **62,858** |
| **CapEx Requirements** | **-** | **-** | **2,504** | **2,504** | **2,504** | **2,504** | **2,504** | **2,504** | **2,504** | **2,504** | **2,504** | **2,504** | **2,504** | **2,504** | **2,504** | **30,044** | **30,044** |

~$30mm investment required to achieve a $96mm reduction in annual spend to an annual run-rate of $63mm

**Strategy to Achieve Reduction**

- Fundamental strategy change – replace legacy applications with SaaS solutions and exit internal data centers
  - Requires less FTEs to operate – less infrastructure heads and less developers ($6mm/month to $2.1mm)
- Deliverables achieved by Q3 2019:
  - Implementation of an ERP application – enables the deprecation of mainframes
  - Implementation of CRM and cloud based contact center – improves member experience as the agent will have a full 360 view of the member from a single screen and take out cost such as deprecation of legacy telephone infrastructure
  - Creation of a single product master (hierarchy) – simplifies the business. For example, same SKU used across all format. It also enables us to consolidate technology. For example, a single conveyable warehousing system, a single POS
  - Our Non FTE spend drops from $9mm/month to $2.5mm. ~ $5mm (65%) is mainframe + outsourced infrastructure support resources
- The key risks are the (1) company's ability to absorb so much change over a short time period. For example, many business processes will need to change; (2) we will discover something that we didn't foresee. We need to execute with military grade precision, extreme paranoia and issues should be surfaced and resolved in real time. Net, its all about execution.

Weil LAZARD M-III PARTNERS

# IT is performing an exhaustive contract review to take advantage of the chapter 11 contract rejection opportunity

## Detailed Contract Analysis

| | Reject | Eliminate | Reduce | Renegotiate | Review | Total |
|---|---|---|---|---|---|---|
| **MT Contracts** | | | | | | |
| Number | 1 | 102 | 17 | - | 7 | 127 |
| $ Value | $1,628,151 | $62,348,847 | $30,101,120 | - | $2,603,728 | $96,681,846 |
| Number Prepaid | - | 6 | 1 | - | - | 7 |
| $ Value Prepaid | - | $6,149,100 | $252,000 | - | - | $6,401,100 |
| **Contracts that Cover MT & Non-MT** | | | | | | |
| Number | - | 2 | 13 | 1 | - | 16 |
| $ Value | - | $89,743 | $61,264,935 | $5,287,539 | - | $66,642,217 |
| Number Prepaid | - | - | - | - | - | - |
| $ Value Prepaid | - | - | - | - | - | - |
| **Non-MT Contracts Managed by MT** | | | | | | |
| Number | - | 2 | 21 | 1 | 1 | 25 |
| $ Value | - | $8,047,945 | $13,460,133 | $1,313,264 | $582,530 | $23,403,872 |
| Number Prepaid | - | - | 1 | - | 1 | 2 |
| $ Value Prepaid | - | - | $6,353 | - | $4,253 | $10,606 |
| **Total Contracts** | | | | | | |
| Number | 1 | 106 | 51 | 2 | 8 | 168 |
| $ Value | $1,628,151 | $70,486,535 | $104,826,188 | $6,600,803 | $3,186,258 | $186,727,935 |
| Number Prepaid | - | 6 | 2 | - | 1 | 9 |
| $ Value Prepaid | - | $6,149,100 | $258,353 | - | $4,253 | $6,411,706 |

## Summary

168 contracts reviewed with an annual expense of $187mm (out of 210 total contracts with spend of $198mm)

Summary Status:

- Reject – 1
- Eliminate – 106
- Reduce – 51
- Renegotiate – 2
- Review – 8

Key

- Reject – will reject contract
- Eliminate – will not renew
- Reduce – will reduce spend
- Renegotiate – will need to negotiate new terms – we cannot just reduce
- Review – decision not made

Weil LAZARD M-III PARTNERS

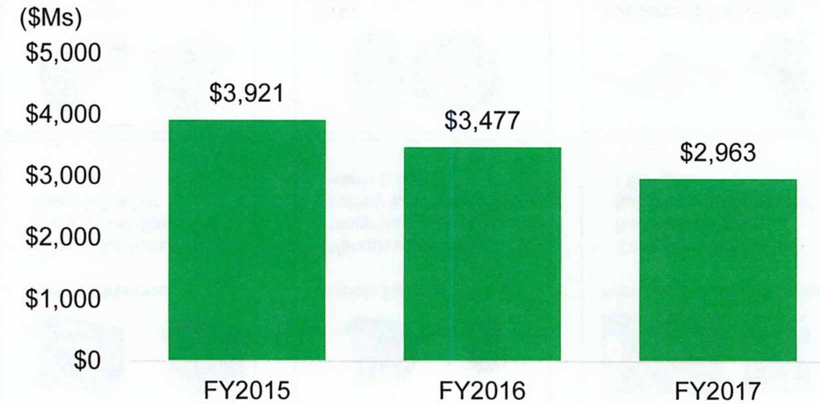
# Appendix

# Kenmore Business Summary

## Business Overview

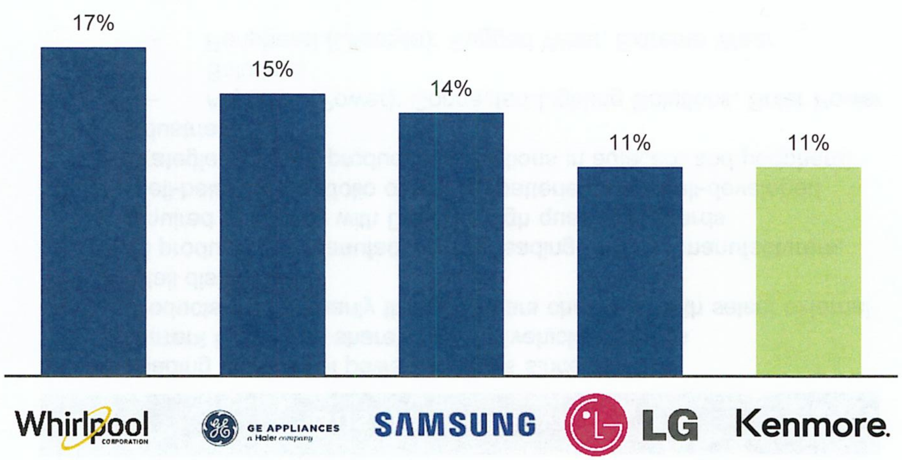
- Kenmore is broken into two business units
  - Major Home Appliance: Markets and sells refrigerators and freezers, laundry washers and dryers, cooking ranges and ovens, and dishwashers (#5 overall ranked leader in major appliances (11% U.S. sales share))
  - Small Appliance: Markets and sells small kitchen appliances, water softeners, electric air cleaners, vaporizers, vacuums, steam cleaners, room air conditioners, outdoor grills and over the counter microwaves
- The majority of its products manufactured via contracts with OEMs
- The majority of its current distribution via Sears-branded retail stores but with rapidly growing third-party distribution (e.g. Amazon)
- No. of Households: ~100mm as of 2017E (cumulative)

## Historical Revenue[1]




## Leading U.S. Market Share

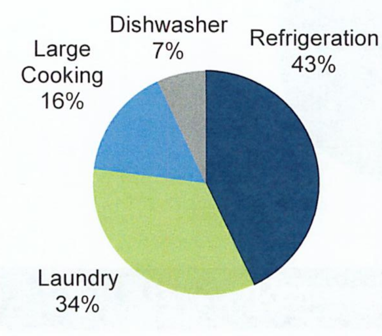
*(2017E Sales Share by Brands, %)*




## Financial Overview

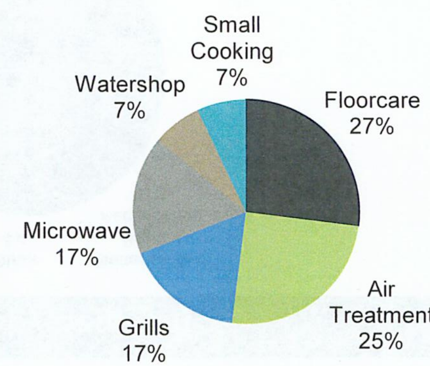
*(LTM Dec 2017 Sales)*

**Major Home Appliance**




***$2.5bn in Sales***

**Small Appliance**




***$348M in Sales***

(1) Gross retail sales per CIM – Kenmore records revenue based on gross retail sales (included in Hardlines) or its license revenue from Sears sales of Kenmore branded products and third party sales

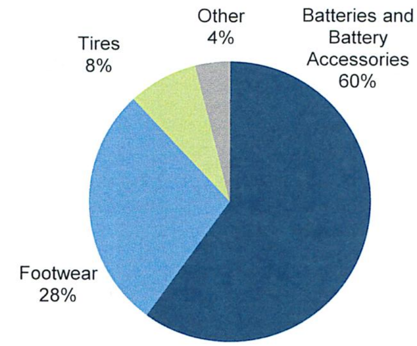
Weil LAZARD M-III PARTNERS

# DieHard Business Summary

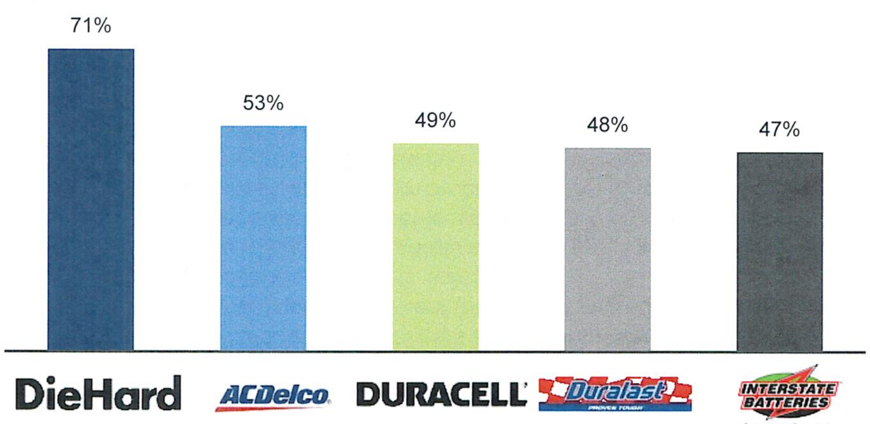
## Business Overview

- Leading provider of power solutions since 1967
- Current U.S. sales share of 4% for vehicle batteries
- Products sold primarily through Sears channels, with select external retail distribution
- All products are manufactured by leading contract manufacturers, required to comply with DieHard high quality standards
- Well-balanced portfolio of vehicle batteries, with well-developed strategies for new product introductions in adjacent and peripheral industries
  - Adjacent (Power): Connected Lighting Solutions, Solar Power Solutions
  - Peripheral (Lifestyle): Rugged Wear, Extreme Wear

## Revenue by Segment




## Brand Awareness




## Select Products

**Vehicle Batteries**

- Offered for Auto, Marine & RV, PowerSport and Lawn & Tractor

**Vehicle Battery Back Up**

- Various applications range from jumping a car battery to powering laptop within a car


**Portable Power and Lights**

- Categories include tool batteries, alkaline batteries, flashlights and LED lights

**Work Boots**

- High-performance boots, offered in both slip-ons and lace-ups

**Tires**

- Mid-Tier Passenger car tires manufactured by Kumho sold in SAC

**Consumer Electronics**

- Categories include Powerbanks, Chargers, Charging station, Phone cases and headsets

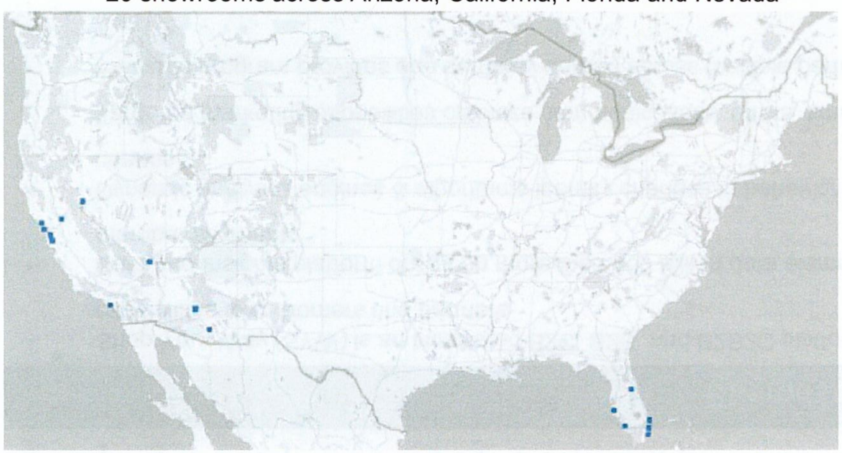
# Monark Business Summary

## Business Unit Overview

- Monark Premium Appliance Company and its affiliates form a nationwide distributor of premium home appliances that serve architects, builders, designers, developers and homeowners
- Monark represents a partnership between three leading distributors: Florida Builder Appliances, Westar Kitchen & Bath and Standards of Excellence
- Showrooms provide customers with premium cooking, cooling and cleaning appliances
- Monark operates within the larger Hardlines business
- Established June, 2015

## Store Locations

20 showrooms across Arizona, California, Florida and Nevada



## Select Brands

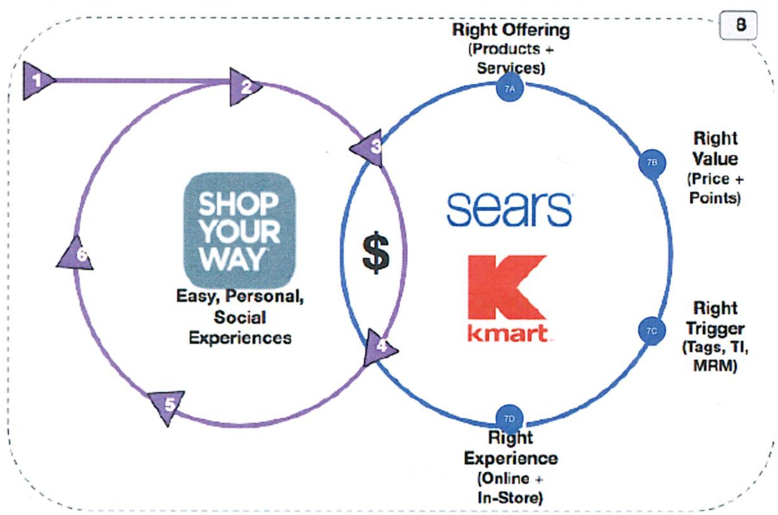
Alfresco
ASKO Inspired by Scandinavia
best
dacor
DCS by Fisher & Paykel
Electrolux
SAMSUNG
Scotsman
Speed Queen
SUB-ZERO
SUMMIT APPLIANCE
Thermador
U-LINE
VentAHood
VIKING PROFESSIONAL
GE
LA CORNUE
LG

# ShopYourWay Business Summary

## Business Unit Overview

- Shop Your Way (SYW) is an integrated B2C, B2B, and B2B2C platform that provides personalized data & insights, analytics, marketing and rewards capabilities to customers and partners
- Data and Insights platform draws on more than 100 billion data elements across 160 data sources and 4,000 variables enabling thousands of unique member segments
- Dynamic analytics engines & algorithms identify changes in behaviors, score members in real time, and power decisions through relevant marketing channels
- Targeted marketing capabilities optimize communications, offers, timing, and channel driving the desired member behavior
- Rewards program provides one currency earned across multiple partners to drive member loyalty

## Shop Your Way and the Sears Ecosystem




1. Compelling Value Prop + Easy Linkage drives sign-ups for programs, services, partners
2. Engagement in the ecosystem rewards members with SYW points and builds profiles for members
3. Personalization and Service platforms connect members to products and services
4. SYW Points and Partner Funding deliver value for members and create a multiplier/leveraged model for Sears/Kmart
5. Ecosystem Engagement provides feedback needed to expand / tailor the offering
6. Member Engagement / Redemption create more demand and performance for partners, which creates more opportunities for members and profitable growth
7. Journeys/ Categories creates and curate new product offerings (7a), develops the value proposition (7b), uses data to tag, target and deliver personalized offers (7c), and connects the online/instore experience (7d)
8. Markets Team drives the end-to-end system at a member, store, and community level, creating new capabilities for the go-forward integrated retail business

# In Home Repair Overview

## Business Overview

**•In-Home Repair is a leading national provider of appliance repair services in the U.S.**

**•Provides B2C + B2B repair services for appliances, consumer electronics, outdoor power equipment, fitness equipment, power tools and HVAC systems under the Sears and A&E Factory Service brand names**

- Customers can book an appointment in-store or by phone / online and receive a preliminary diagnosis from trained professionals
- Appliance repairs are covered by a 90-day satisfaction guarantee

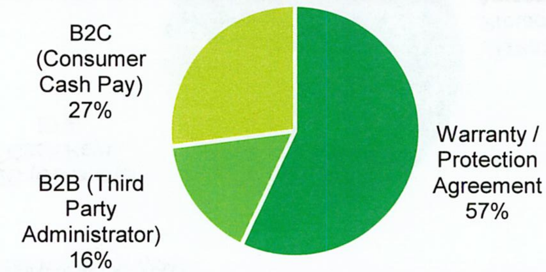
**•Approximately 4,500 trained in-house service techs complemented by over 800 independent contractor firms within 1099 labor network**

- Home Services has access to total network of 1.5M+ units of repair capacity via its 1099 network(1)

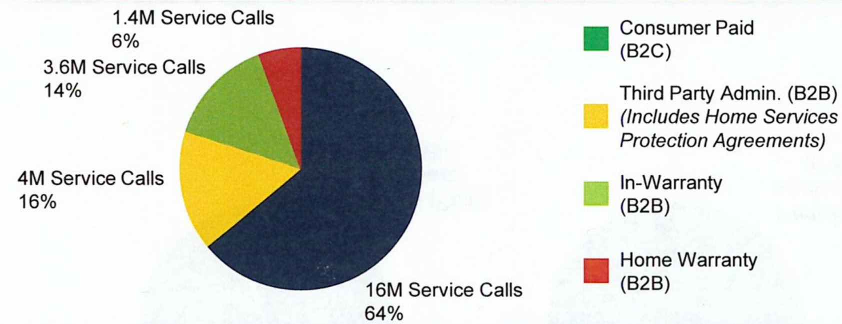
**•Over 40% of technicians have more than 10 years of experience**

**•Provides services in 50 states, the District of Columbia, Guam and Puerto Rico through ~50 district locations and other support locations**

## In-Home Call Volume




## Appliance Repair Marketplace




## Top B2B Customers

American Home Shield · American Water Heaters · asurion · The Cross Country Group · Fidelity National Financial · First American · GE · LG · Lowe's · Nicor Gas An AGL Resources Company · Samsung · Service Net · Warrantech · 2-10 Home Buyers Warranty

# Service Contracts Overview

## Business Overview

**•Service Contracts: Leading national provider of service, replacement and home warranty contracts under the Sears, Kmart and A&E Factory Service brand names**

**•Two primary contracts: Protection Agreements and Home Warranty**

- Various coverage and term offers to meet customer repair and replacement needs
- Contracts cover appliances, consumer electronics, outdoor power equipment, fitness equipment, power tools, HVAC systems and select other merchandise
- In 2014, began offering the Sears Home Warranty Plan
  - Single protection plan that covers the repair or replacement of major home appliances and systems regardless of their age, brand or point of sale

**•Contracts sold via SHC retail locations (point of sale) and through post purchase / point of need channels, including telemarketing, direct mail, In-Home Repair Services technicians and call center associates**

- Currently approximately 10M contracts in force

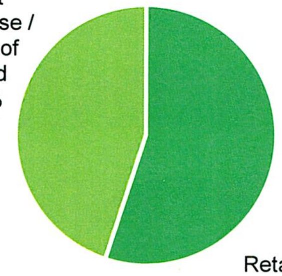
**•In-Home: Provides repair services for appliances, consumer electronics, outdoor power equipment, fitness equipment, power tools and HVAC systems under the Sears and A&E Factory Service brand names**

- Approximately 5.2 million in-home repair and maintenance events performed for all major brands during 2017

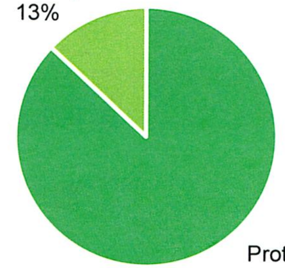
**•Will begin offer Protection Agreements underwritten by Assurant in the coming weeks**

## Portfolio Mix (Service Contracts)

**By Origin**

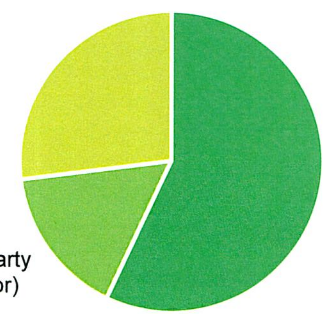



**By Contract Type**




## In Home (by Repair Type)

*(Represents call volume by type)*




Weil LAZARD M-III PARTNERS

# PartsDirect Overview

## Business Overview

**•PartsDirect provides repair parts & accessories for most major brand appliances, outdoor power equipment, water heaters and treatment to DIY consumers**

**•Primarily offer OEM approved replacement parts, with accessories and maintenance products driving incremental sales**

**•Peak sales period: March through September, coinciding with the Spring and Lawn & Garden season**

**•Core business in consumer space (via website and phone), with growing marketplace / third party**

## Channel Strategy

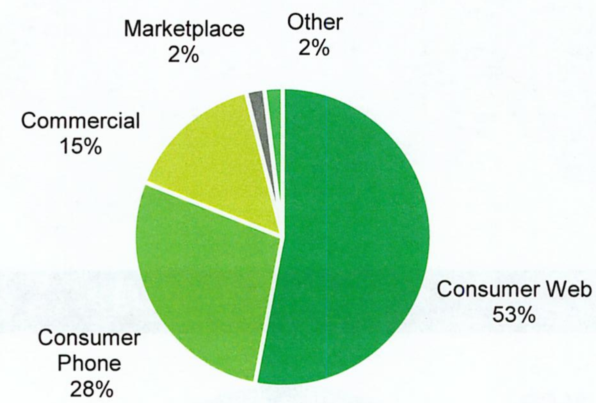
- Provide solutions via web, phone, commercial and third party marketplaces
- Fast-growing third party marketplaces (e.g., Amazon, eBay) primarily under the DIY Repairt Parts brand
- Monetization strategy to leverage parts catalog
- Digital and social media marketing strategy driving increased visits to SPD.com and website rebuild improving conversion rate of users
- ~640 dedicated expert advisors located in 8 call centers assist consumers by phone

## Customer / Need Overview

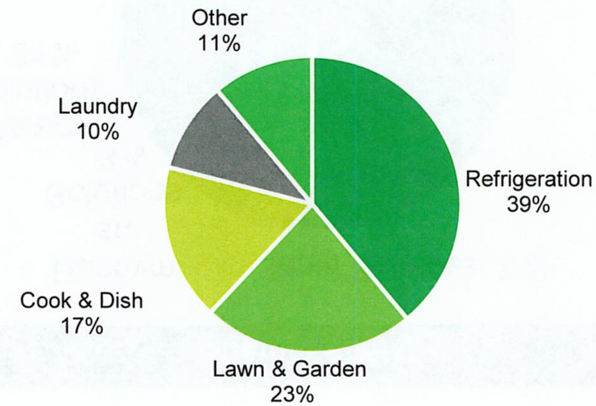
- 60% of customers primary reason for visiting site is to purchase a replacement part for their product (16% to research part replacement)
- 11.5% of purchasers are new to Parts Direct and 42% have done business with Parts Direct in the last 5 years

## Portfolio Business Mix[1]

### By Channel




### By Product




Note:
(1) As of FY2017

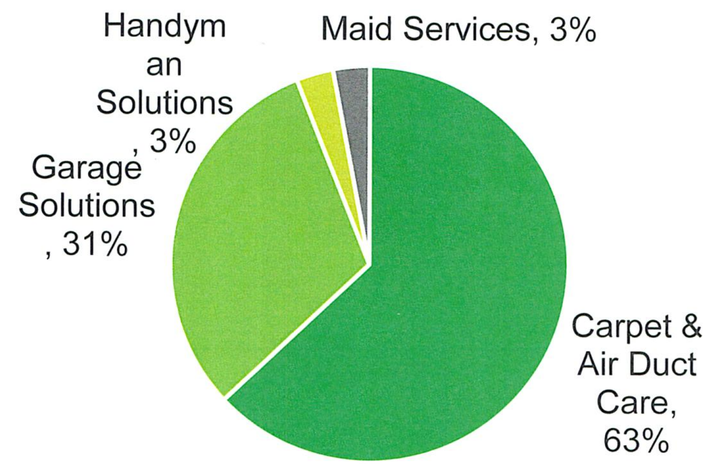
Weil LAZARD M-III PARTNERS

# Franchise Overview

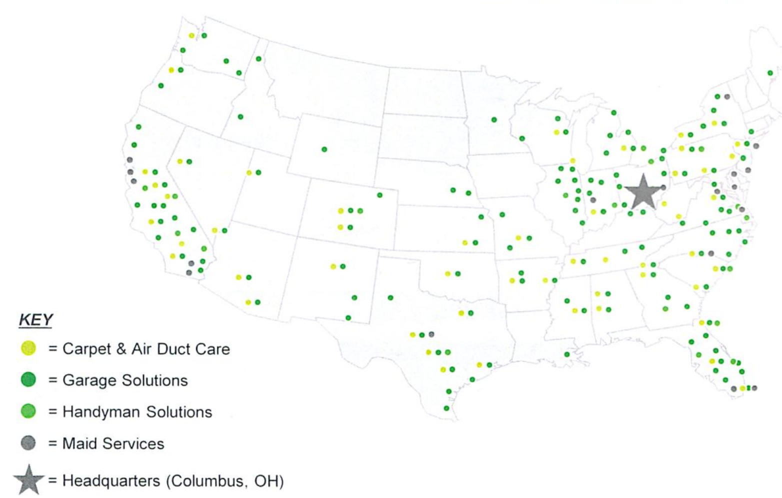
## Business Overview

- **Franchise services is a leading multi-service franchisor in the residential home service sector**
- **Services include carpet & upholstery care, air duct cleaning & indoor air quality, garage solutions, maid services and handyman solutions**
- **Franchise agreements are generally for a term of 10 years and are renewable**
  - Revenue stream includes initial fee, royalty fee (6-10% of net revenue), monthly IT Support fee, renewal and transfer fee
- **Franchise network managed through operational visits, phone calls, review of vendor statements and sales trends, customer satisfaction scores, background and insurance compliance and annual independent audits**
- **Over 390 active franchise territories across current franchise business models**
  - In more than 375K homes annually
  - Approximately 76% service area coverage nationwide across business models
- **In 2014, began offering handyman and maid services**
- **Approximately 40 corporate employees supporting the franchise network and branches**
  - Functions include operations, IT, marketing and advertising, finance, customer service, R&D and search engine optimization
- **Headquartered in Columbus, OH**

## Business Mix




## Franchise Locations



# Liquidity Update and Illustrative Store Footprint Scenarios

Weil LAZARD M-III PARTNERS

# Executive Summary (cont.)

**In order to assess the potential liquidity requirements to continue to operate 505 stores, we have performed the following analysis:**

- Updated the baseline 410 store cash flow forecast through February 16, 2019 to include the following key revisions:
    - New Protection Agreement sales based on partnering with third-party underwriter to continue selling protection agreements across 34 currently suspended states earning 40% commission on gross sales
    - Revised budget includes updated inventory balances and anticipated expenses for the GOB sales
    - Revised Junior DIP financing assumptions to L+11.50%, and 3.0% upfront fee on $350M GACP loan in accordance with proposed term sheet
    - Reduction of the same store sales assumptions from a range of -12.5% to -15.0% to a flat -15.0% throughout the entire 18 week period for all go-forward stores
- Page 8 summarizes the changes in the 410 forecasts by line items; below are the key adjustments/impacts

*($ in millions)*

| Net Availability | February 16, 2019 Net Availability | Adjustments | Revised February 16, 2019 Net Availability |
|---|---|---|---|
| Approved Initial DIP Budget (including 3 weeks of Actual Results) | ($80.9) | | |
| Lower PA revenue and receipts | | (125.8) | |
| Additional Junior DIP Financing | | 50.0 | |
| Higher receipts in first 3 weeks | | 28.3 | |
| Lower operating expense disbursements | | 27.5 | |
| Higher interest and fees on Junior DIP | | (7.5) | |
| All Other Adjustments (capex, borrowing base, non-operating receipts, GOB, other) | | (20.7) | |
| Total Revised Assumptions Impact | | ($48.2) | |
| **Revised 410 Forecast Final Total Liquidity** | | | **($129.2)** |

- Additionally, we prepared store footprint scenarios including: 505, 359 and 300 stores
    - GOB assumptions on 11/15: 505 store scenario - 40 stores, 359 scenario – 186 stores, 300 scenario – 245 stores
- We have included for reference, the 10/15/18 Budget with weeks 1-3 updated with actuals and timing variances rolled through ("10/15/18 DIP Budget with Actuals through 11/2/18") which assumed operating 410 stores

1. Max incremental availability capped at $600M

# Liquidity Summary

**The table below shows ending liquidity for three different time periods:**

*($ in millions)*

| | Total Liquidity (Net Availability + Available Cash) | | |
|---|---|---|---|
| **Scenario** | **December 15, 2018** | **December 29, 2018** | **February 16, 2019** |
| **10/15/18 DIP Budget (410 Stores) *** | $138.6 | $96.1 | ($61.2) |
| **10/15/18 DIP Budget with Actuals through 11/2/18** | 153.4 | 100.1 | (80.9) |
| **Revised DIP Budget (410 Stores) **** | 137.4 | 164.8 | (129.2) |
| **505 Store Scenario** | 102.7 | 114.6 | (198.8) |
| **359 Store Scenario** | 153.3 | 189.8 | (97.5) |
| **300 Store Scenario** | 179.1 | 226.1 | (53.8) |

**Based on the updated forecast assumptions, continuing to operate 505 stores through February 16, 2019 as opposed to the 410 stores included in the Initial DIP Budget would require an incremental $70M of liquidity:**

*($ in millions)*

| | Incremental Liquidity Cost to Maintain 505 Stores Until: | | |
|---|---|---|---|
| **Comparison** | **December 15, 2018** | **December 29, 2018** | **February 16, 2019** |
| **vs. Revised DIP Budget (410 Stores)** | ($34.7) | ($50.2) | ($69.6) |
| **vs. 359 Alternative Store Scenario** | ($50.6) | ($75.2) | ($101.3) |
| **vs. 300 Alternative Store Scenario** | ($76.4) | ($111.5) | ($145.0) |

# 410 Store Footprint Comparison

HIGHLY CONFIDENTIAL; SUBJECT TO FRE 408; FOR DISCUSSION PURPOSES ONLY; SUBJECT TO CONFIDENTIALITY PROVISIONS OF THE COMMITTEE BYLAWS; NOT FOR DISTRIBUTION BEYOND MEETING PARTICIPANTS



# 10/15/18 DIP Budget (410 Stores)*

**Initial Approved Budget (Scenario - 410 GFS)**

| | Month | October | | | November | | | | December | | | | | January | | | | February | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Week | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | Weeks |
| | Retail Week EoP | 10/20/18 | 10/27/18 | 11/3/18 | 11/10/18 | 11/17/18 | 11/24/18 | 12/1/18 | 12/8/18 | 12/15/18 | 12/22/18 | 12/29/18 | 1/5/19 | 1/12/19 | 1/19/19 | 1/26/19 | 2/2/19 | 2/9/19 | 2/16/19 | |
| | Unique Week | 201837 | 201838 | 201839 | 201840 | 201841 | 201842 | 201843 | 201844 | 201845 | 201846 | 201847 | 201848 | 201849 | 201850 | 201851 | 201852 | 201901 | 201902 | 1-18 |
| | **CASH RECEIPTS** | | | | | | | | | | | | | | | | | | | |
| [1] | Normal Course Net Merchandise Receipts | $107.9 | $110.6 | $104.8 | $91.7 | $95.1 | $112.8 | $161.8 | $77.8 | $96.8 | $97.5 | $123.8 | $163.6 | $88.8 | $75.1 | $64.1 | $61.8 | $56.5 | $56.4 | $1,747.0 |
| [2] | Plus: GOB Sales Receipts | 0.0 | 0.0 | 40.1 | 50.9 | 49.9 | 91.4 | 95.4 | 95.1 | 93.0 | 86.2 | 73.7 | 67.6 | 52.8 | 29.0 | 25.2 | 15.8 | 0.0 | 0.0 | 866.0 |
| [3] | Plus: Other Cash Receipts | 52.7 | 55.2 | 54.6 | 38.8 | 39.1 | 44.5 | 58.8 | 31.3 | 36.4 | 36.6 | 43.6 | 54.3 | 50.7 | 50.7 | 50.7 | 50.7 | 38.7 | 38.7 | 826.0 |
| [4] | Plus: Non-Operating Receipts | 0.0 | 0.0 | 2.3 | 0.0 | 0.0 | 0.0 | 2.8 | 0.0 | 0.0 | 0.0 | 0.0 | 1.8 | 0.0 | 0.0 | 0.0 | 2.3 | 0.0 | 0.0 | 9.2 |
| [5] | Plus: TSA & CSA Receipts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | **Total Cash Receipts** | **$160.6** | **$165.8** | **$201.8** | **$181.5** | **$184.1** | **$248.7** | **$318.8** | **$204.1** | **$226.1** | **$220.2** | **$241.1** | **$287.2** | **$192.3** | **$154.8** | **$140.0** | **$130.6** | **$95.1** | **$95.1** | **$3,448.2** |
| | **OPERATING DISBURSEMENTS** | | | | | | | | | | | | | | | | | | | |
| [6] | Merchandise Vendors | $64.7 | $77.9 | $80.0 | $74.3 | $61.0 | $79.0 | $80.9 | $45.2 | $55.0 | $87.8 | $80.0 | $53.6 | $54.3 | $49.5 | $46.7 | $44.8 | $41.1 | $44.5 | $1,120.3 |
| [7] | Occupancy | 0.0 | 0.0 | 0.0 | 13.2 | 1.5 | 0.0 | 0.0 | 11.0 | 3.7 | 0.0 | 0.0 | 0.0 | 14.7 | 0.0 | 0.0 | 0.0 | 11.0 | 3.7 | 58.8 |
| [8] | Payroll, Taxes, and Benefits | 47.5 | 30.9 | 73.8 | 32.0 | 61.1 | 32.6 | 74.3 | 40.3 | 41.9 | 34.0 | 46.3 | 33.2 | 43.1 | 29.2 | 29.3 | 43.1 | 32.4 | 35.5 | 760.3 |
| [9] | Other SG&A Disbursements | 77.9 | 81.5 | 61.5 | 73.3 | 60.2 | 66.3 | 82.7 | 75.3 | 64.6 | 73.1 | 67.3 | 65.6 | 72.3 | 68.1 | 65.3 | 61.9 | 58.9 | 52.5 | 1,228.1 |
| [10] | GOB Rent | 0.0 | 0.0 | 0.0 | 17.4 | 1.9 | 0.0 | 0.0 | 14.5 | 4.8 | 0.0 | 0.0 | 0.0 | 14.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 53.4 |
| [11] | GOB Addt'l Expenses | 0.0 | 0.0 | 8.5 | 8.6 | 8.7 | 16.7 | 16.9 | 17.0 | 17.2 | 17.2 | 16.9 | 16.7 | 16.5 | 8.3 | 8.2 | 8.0 | 0.0 | 0.0 | 185.3 |
| [12] | GOB Liquidator Fees | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.6 |
| [13] | Less: GOB Store Level Expenses Add-Back | 0.0 | 0.0 | (4.8) | (4.8) | (4.8) | (9.9) | (9.9) | (9.9) | (9.9) | (9.9) | (9.9) | (9.9) | (9.9) | (10.7) | (10.7) | (10.7) | (14.8) | (14.8) | (155.6) |
| | **Total Operating Disbursements** | **$190.1** | **$190.2** | **$219.0** | **$214.2** | **$189.6** | **$184.6** | **$244.9** | **$193.5** | **$177.3** | **$202.2** | **$200.5** | **$159.2** | **$205.6** | **$144.3** | **$138.8** | **$147.1** | **$128.6** | **$121.4** | **$3,251.2** |
| [14] | Less: CapEx | 1.4 | 1.7 | 1.1 | 1.7 | 1.2 | 1.1 | 1.1 | 1.1 | 1.4 | 1.0 | 0.9 | 1.1 | 1.1 | 0.9 | 1.2 | 1.1 | 1.6 | 1.7 | 22.2 |
| | **Net Cash Flow** | **($30.9)** | **($26.2)** | **($18.3)** | **($34.4)** | **($6.7)** | **$63.1** | **$72.8** | **$9.6** | **$47.4** | **$17.0** | **$39.8** | **$126.9** | **($14.4)** | **$9.6** | **$0.1** | **($17.5)** | **($35.1)** | **($28.0)** | **$174.8** |
| | **NON-OPERATING CASH FLOW** | | | | | | | | | | | | | | | | | | | |
| [15] | Utility Deposits | $6.7 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $6.7 |
| [16] | Less: Professional Fees | 0.0 | 0.0 | 0.0 | 0.0 | 2.0 | 0.0 | 0.0 | 0.0 | 12.4 | 0.0 | 0.0 | 0.0 | 0.0 | 12.5 | 0.0 | 0.0 | 0.0 | 18.5 | 45.4 |
| [17] | Critical Vendor Payments | 19.6 | 9.8 | 9.8 | 9.8 | 9.8 | 9.8 | 9.8 | 9.8 | 9.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 98.0 |
| [18] | Insurance Payments | 1.4 | 1.4 | 1.4 | 0.7 | 0.7 | 0.7 | 0.7 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 8.6 |
| [19] | Gift Card Redemptions | 1.3 | 1.3 | 1.3 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 14.9 |
| [20] | KEIP / KERP | 0.0 | 0.0 | 6.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 12.5 |
| [21] | Credit Card Holdbacks | 2.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.2 |
| [22] | PTO | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4.2 | 0.0 | 0.0 | 0.0 | 3.3 | 0.0 | 0.0 | 7.5 |
| [23] | Post-Petition TSA/CSA | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | **Chapter 11 Related** | **$31.3** | **$12.5** | **$18.8** | **$11.7** | **$13.7** | **$11.7** | **$11.7** | **$11.3** | **$23.7** | **$1.5** | **$1.5** | **$5.7** | **$6.3** | **$12.5** | **$0.0** | **$3.3** | **$0.0** | **$18.5** | **$195.7** |
| [26] | Less: Cash Interest | 3.7 | 3.6 | 3.7 | 3.8 | 3.9 | 3.9 | 3.9 | 3.9 | 3.9 | 3.8 | 3.8 | 3.7 | 3.8 | 3.9 | 3.9 | 3.9 | 3.9 | 4.0 | 68.8 |
| [27] | Less: Financing Fees | 22.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 22.5 |
| | **Total Other Non-Operating Disbursements** | **$26.2** | **$3.6** | **$3.7** | **$3.8** | **$3.9** | **$3.9** | **$3.9** | **$3.9** | **$3.9** | **$3.8** | **$3.8** | **$3.7** | **$3.8** | **$3.9** | **$3.9** | **$3.9** | **$3.9** | **$4.0** | **$91.3** |
| [28] | Unencumbered Leases | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| [29] | Unencumbered RE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 | 53.4 |
| | **Total Asset Sales** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$8.9** | **$8.9** | **$8.9** | **$8.9** | **$8.9** | **$8.9** | **$53.4** |
| [30] | **Net Cash Flow Before ABL Paydown, ex TL** | **($88.4)** | **($42.3)** | **($40.8)** | **($49.9)** | **($24.3)** | **$47.5** | **$57.2** | **($5.6)** | **$19.9** | **$11.7** | **$34.5** | **$117.5** | **($15.6)** | **$2.2** | **$5.1** | **($15.8)** | **($30.1)** | **($41.6)** | **($58.9)** |
| [31] | Term Loan Draw | $111.9 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $111.9 |
| | **Net Cash Flow Before ABL Paydown, w/TL** | **$23.5** | **($42.3)** | **($40.8)** | **($49.9)** | **($24.3)** | **$47.5** | **$57.2** | **($5.6)** | **$19.9** | **$11.7** | **$34.5** | **$117.5** | **($15.6)** | **$2.2** | **$5.1** | **($15.8)** | **($30.1)** | **($41.6)** | **$53.0** |
| [32] | Other Financing | $2.4 | $42.3 | $40.8 | $49.9 | $24.3 | ($47.5) | ($57.2) | $5.6 | ($19.9) | ($11.7) | ($34.5) | ($117.5) | $15.6 | ($2.2) | ($5.1) | $15.8 | $30.1 | $41.6 | ($27.1) |
| | **Net Cash Flow** | **($86.0)** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **($86.0)** |
| | **Available Cash** | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | $0.0 |
| | **Net Availability** | 278.4 | 241.3 | 312.7 | 231.3 | 183.0 | 154.7 | 237.3 | 175.1 | ~~138.6~~ | 99.0 | ~~96.1~~ | 133.4 | 85.1 | 69.0 | 36.1 | (10.5) | (27.3) | (61.2) | ~~($61.2)~~ |
| [33] | **Memo: Total Liquidity (Availability + Cash)** | **$278.4** | **$241.3** | **$312.7** | **$231.3** | **$183.0** | **$154.7** | **$237.3** | **$175.1** | **$138.6** | **$99.0** | **$96.1** | **$133.4** | **$85.1** | **$69.0** | **$36.1** | **($10.5)** | **($27.3)** | **($61.2)** | **($61.2)** |
| | *Memo: Windown Reserve* | *$0.0* | *$0.0* | *$0.0* | *$0.0* | *$0.0* | *$0.0* | *$0.0* | *$0.0* | ~~*$0.0*~~ | *$0.0* | ~~*$0.0*~~ | *$0.0* | *$8.9* | *$17.8* | *$26.7* | *$35.6* | *$44.5* | *$53.4* | ~~*$53.4*~~ |
| | *Memo: Merchandise COGS* | *76.6* | *78.5* | *74.4* | *65.1* | *67.5* | *114.9* | *80.1* | *55.2* | *68.7* | *69.2* | *87.9* | *116.1* | *63.0* | *53.3* | *45.5* | *43.9* | *$40.2* | *$40.1* | *1,240.5* |
| | *Memo: GOB COGS* | *0.0* | *0.0* | *26.2* | *30.0* | *32.3* | *59.7* | *64.9* | *66.5* | *70.0* | *69.3* | *66.0* | *62.8* | *56.3* | *30.1* | *27.5* | *23.6* | *$0.0* | *$0.0* | *685.1* |

* Filed with Bankruptcy Court on 10/15/18

# 10/15/18 DIP Budget with Actuals through 11/2/18

## Project Blue - Rolling 13-Week DIP Budget (3 + 13)

| | Month | October | | | November | | | | December | | | | | January | | | | February | | Total | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Forecast Week | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | Weeks | Weeks |
| | Actual / Forecast | ACT | ACT | ACT | FCST | FCST | FCST | FCST | FCST | FCST | FCST | FCST | FCST | FCST | FCST | FCST | FCST | FCST | FCST | | |
| | Week EoP | 10/20/18 | 10/27/18 | 11/3/18 | 11/10/18 | 11/17/18 | 11/24/18 | 12/1/18 | 12/8/18 | 12/15/18 | 12/22/18 | 12/29/18 | 1/5/19 | 1/12/19 | 1/19/19 | 1/26/19 | 2/2/19 | 2/9/19 | 2/16/19 | | |
| | Unique Week | 201837 | 201838 | 201839 | 201840 | 201841 | 201842 | 201843 | 201844 | 201845 | 201846 | 201847 | 201848 | 201849 | 201850 | 201851 | 201852 | 201901 | 201902 | 1-13 | 1-18 |
| | **CASH RECEIPTS** | | | | | | | | | | | | | | | | | | | | |
| [1] | Normal Course Net Merchandise Receipts | $127.0 | $111.6 | 151.0 | $91.7 | $95.1 | $112.8 | $161.8 | $77.8 | $96.8 | $97.5 | $123.8 | $163.6 | $88.8 | $75.1 | $64.1 | $61.8 | $56.5 | $56.4 | $1,499.3 | $1,813.2 |
| [2] | GOB Sales Receipts | 0.0 | 0.0 | 0.0 | 50.9 | 49.9 | 91.4 | 95.4 | 95.1 | 93.0 | 86.2 | 73.7 | 67.6 | 52.8 | 29.0 | 25.2 | 15.8 | 0.0 | 0.0 | 755.9 | 825.9 |
| [3] | Other Cash Receipts | 64.7 | 56.9 | 41.1 | 38.8 | 39.1 | 44.5 | 58.8 | 31.3 | 36.4 | 36.5 | 43.6 | 54.3 | 50.7 | 50.7 | 50.7 | 50.7 | 38.7 | 38.7 | 596.9 | 826.4 |
| [4] | Non-Operating Receipts | 0.0 | 0.0 | 4.9 | 0.0 | 0.0 | 0.0 | 2.8 | 0.0 | 0.0 | 0.0 | 0.0 | 1.8 | 0.0 | 0.0 | 0.0 | 2.3 | 0.0 | 0.0 | 9.5 | 11.8 |
| [5] | TSA & CSA Receipts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | - | - |
| | **Total Operating Receipts** | **$191.7** | **$168.5** | **$197.0** | **$181.5** | **$184.1** | **$248.7** | **$318.8** | **$204.2** | **$226.2** | **$220.2** | **$241.1** | **$287.3** | **$192.3** | **$154.8** | **$140.0** | **$130.6** | **$95.2** | **$95.1** | **$2,861.6** | **$3,477.4** |
| | **OPERATING DISBURSEMENTS** | | | | | | | | | | | | | | | | | | | | |
| [6] | Merchandise Vendors | $21.0 | $71.1 | $52.0 | $90.0 | $76.7 | $94.7 | $96.6 | $60.9 | $55.0 | $87.8 | $80.0 | $53.6 | $54.3 | $49.5 | $46.7 | $44.8 | $45.9 | $49.6 | $893.7 | $1,130.3 |
| [7] | Occupancy | 0.0 | 0.0 | 0.0 | 13.2 | 1.5 | 0.0 | 0.0 | 11.0 | 3.7 | 0.0 | 0.0 | 0.0 | 14.7 | 0.0 | 0.0 | 0.0 | 11.0 | 3.7 | 44.1 | 58.8 |
| [8] | Payroll, Taxes, and Benefits | 44.0 | 27.8 | 65.2 | 32.0 | 61.1 | 32.6 | 74.3 | 40.3 | 41.9 | 34.0 | 46.3 | 33.2 | 43.1 | 29.2 | 29.3 | 43.1 | 32.4 | 35.5 | 575.7 | 745.1 |
| [9] | Other SG&A Disbursements | 15.9 | 52.9 | 46.1 | 94.2 | 81.1 | 87.2 | 103.6 | 96.2 | 64.6 | 73.1 | 67.3 | 65.6 | 72.3 | 68.1 | 65.3 | 61.9 | 58.9 | 52.5 | 920.0 | 1,226.7 |
| [10] | GOB Rent | 0.0 | 0.0 | 0.0 | 17.4 | 1.9 | 0.0 | 0.0 | 14.5 | 4.8 | 0.0 | 0.0 | 0.0 | 14.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 53.4 | 53.4 |
| [10] | GOB Addt'l Expenses | 0.0 | 0.0 | 0.0 | 8.6 | 8.7 | 16.7 | 16.9 | 17.0 | 17.2 | 17.2 | 16.9 | 16.7 | 16.5 | 8.3 | 8.2 | 8.0 | 0.0 | 0.0 | 152.4 | 176.9 |
| [10] | GOB Liquidator Fees | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.4 | 0.6 |
| [10] | Less: GOB Store Level Expenses Add-Back | 0.0 | 0.0 | 0.0 | (4.8) | (4.8) | (9.9) | (9.9) | (9.9) | (9.9) | (9.9) | (9.9) | (9.9) | (9.9) | (10.7) | (10.7) | (10.7) | (10.7) | (10.4) | (89.1) | (142.4) |
| | **Total Operating Disbursements** | **$80.9** | **$151.7** | **$163.3** | **$250.8** | **$226.3** | **$221.2** | **$281.5** | **$230.2** | **$177.3** | **$202.2** | **$200.5** | **$159.2** | **$205.6** | **$144.3** | **$138.8** | **$147.1** | **$137.5** | **$130.9** | **$2,550.7** | **$3,249.3** |
| [11] | Less: CapEx | 0.0 | 0.0 | 0.0 | 1.7 | 1.2 | 1.1 | 1.1 | 1.1 | 1.4 | 1.0 | 0.9 | 1.1 | 1.1 | 0.9 | 1.2 | 1.1 | 1.6 | 1.7 | 11.5 | 17.9 |
| | **Net Cash Flow** | **$110.8** | **$16.8** | **$33.8** | **($71.0)** | **($43.3)** | **$26.4** | **$36.2** | **($27.0)** | **$47.5** | **$17.0** | **$39.8** | **$127.0** | **($14.4)** | **$9.6** | **$0.1** | **($17.5)** | **($44.0)** | **($37.5)** | **$299.5** | **$210.1** |
| | **NON-OPERATING CASH FLOW** | | | | | | | | | | | | | | | | | | | | |
| [12] | Utility Deposits | $0.0 | $0.0 | $0.0 | $0.0 | $9.2 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $9.2 | $9.2 |
| [13] | Professional Fees | 0.0 | 0.0 | 0.0 | 0.0 | 2.0 | 0.0 | 0.0 | 0.0 | 17.4 | 0.0 | 0.0 | 0.0 | 0.0 | 15.9 | 0.0 | 0.0 | 0.0 | 23.5 | 19.4 | 58.8 |
| [14] | Critical Trade Motion | 0.0 | 9.1 | 0.0 | 15.0 | 15.0 | 15.0 | 15.0 | 11.0 | 9.0 | 8.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 98.0 | 98.0 |
| [15] | Insurance Payments | 0.0 | 0.0 | 0.0 | 0.0 | 4.3 | 4.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 8.6 | 8.6 |
| [16] | Gift Card Redemptions | 0.0 | 0.0 | 0.0 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 10.9 | 10.9 |
| [17] | KEIP / KERP | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 12.6 | 12.6 |
| [18] | Credit Card Holdbacks | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | - | - |
| | PTO | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4.2 | 0.0 | 0.0 | 0.0 | 3.3 | 0.0 | 0.0 | 4.2 | 7.5 |
| | Post-Petition TSA/CSA | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | - | - |
| | **Chapter 11 Related** | **$0.0** | **$9.1** | **$0.0** | **$16.2** | **$31.8** | **$26.8** | **$16.2** | **$12.2** | **$27.6** | **$10.1** | **$1.2** | **$5.4** | **$6.3** | **$15.9** | **$0.0** | **$3.3** | **$0.0** | **$23.5** | **$162.9** | **$205.6** |
| [19] | Cash Interest | $0.9 | $1.1 | $1.1 | $4.0 | $4.0 | $3.9 | $3.9 | $4.0 | $4.0 | $4.0 | $4.0 | $3.9 | $4.0 | $4.0 | $4.0 | $4.0 | $4.1 | $4.1 | $42.8 | $63.1 |
| [20] | Financing Fees | 10.3 | 0.0 | 0.0 | 0.0 | 13.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 23.8 | 23.8 |
| | **Total Other Non-Operating Disbursements** | **$11.2** | **$1.1** | **$1.1** | **$4.0** | **$17.5** | **$3.9** | **$3.9** | **$4.0** | **$4.0** | **$4.0** | **$4.0** | **$3.9** | **$4.0** | **$4.0** | **$4.0** | **$4.0** | **$4.1** | **$4.1** | **$66.6** | **$86.9** |
| [21] | Unencumbered Leases | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| [22] | Unencumbered RE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 | 53.4 |
| | **Total Asset Sales** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$8.9** | **$8.9** | **$8.9** | **$8.9** | **$8.9** | **$8.9** | **$8.9** | **$53.4** |
| [24] | **Net Cash Flow Before ABL paydown, ex TL** | **$99.6** | **$6.6** | **$32.7** | **($91.2)** | **($92.6)** | **($4.3)** | **$16.0** | **($43.3)** | **$15.9** | **$2.9** | **$34.6** | **$117.7** | **($15.7)** | **($1.4)** | **$5.0** | **($16.0)** | **($39.2)** | **($56.2)** | **$78.9** | **($28.9)** |
| | TL Draws | $111.9 | $0.0 | $0.0 | $0.0 | $111.9 | $0.0 | $94.1 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $94.1 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $411.9 | $411.9 |
| | **Net Cash Flow Before ABL paydown, w/ TL** | **$211.5** | **$6.6** | **$32.7** | **($91.2)** | **$19.3** | **($4.3)** | **$110.1** | **($43.3)** | **$15.9** | **$2.9** | **$34.6** | **$117.7** | **$78.3** | **($1.4)** | **$5.0** | **($16.0)** | **($39.2)** | **($56.2)** | **$490.8** | **$383.0** |
| [25] | ABL Revolver Draws / (Paydowns) | $0.0 | $0.0 | $0.0 | $0.0 | ($262.7) | $4.3 | ($110.1) | $43.3 | ($15.9) | ($2.9) | ($34.6) | ($117.7) | ($78.3) | $1.4 | ($5.0) | $16.0 | $39.2 | $56.2 | ($574.6) | ($466.8) |
| [26] | **Net Cash Flow after Financing** | **$211.5** | **$6.6** | **$32.7** | **($91.2)** | **($243.3)** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **($83.8)** | **($83.8)** |
| [27] | **Available Cash** | $295.3 | $301.9 | $334.6 | $243.3 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| [28] | **Net Availability** (1) | 155.5 | 115.0 | 66.5 | 93.7 | 329.1 | 247.8 | 289.5 | 189.6 | ~~153.4~~ | 104.0 | ~~100.1~~ | 137.0 | 91.1 | 73.5 | 39.7 | (8.1) | (36.3) | (80.9) | 91.1 | ~~(80.9)~~ |
| [29] | **Memo: Total Liquidity (Availability + Cash)** | **$450.8** | **$416.9** | **$401.1** | **$337.1** | **$329.1** | **$247.8** | **$289.5** | **$189.6** | **$153.4** | **$104.0** | **$100.1** | **$137.0** | **$91.1** | **$73.5** | **$39.7** | **($8.1)** | **($36.3)** | **($80.9)** | **$91.1** | **($80.9)** |
| | Wind-Down Reserve Balance | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $8.9 | $17.8 | $26.7 | $35.6 | $44.5 | $53.4 | $8.9 | $53.4 |
| | Memo: Merchandise COGS | 133.0 | 135.2 | 133.7 | 65.1 | 67.5 | 114.9 | 80.1 | 55.2 | 68.7 | 69.2 | 87.9 | 116.1 | 63.0 | 53.3 | 45.5 | 43.9 | 40.1 | 40.1 | 1,189.8 | 1,412.7 |
| | Memo: GOB COGS | NA | NA | NA | 30.0 | 32.3 | 59.7 | 64.9 | 66.5 | 70.0 | 69.3 | 66.0 | 62.8 | 56.3 | 30.1 | 27.5 | 23.6 | 0.0 | 0.0 | 577.7 | 658.8 |
| | Memo: Borrowing Base | 1,798.5 | 1,757.9 | 1,709.4 | 1,736.7 | 1,709.3 | 1,632.4 | 1,564.0 | 1,507.3 | 1,455.2 | 1,403.0 | 1,364.5 | 1,283.7 | 1,159.5 | 1,143.3 | 1,104.5 | 1,072.7 | 1,083.6 | 1,095.2 | 1,159.5 | 1,095.2 |
| | Memo: Sr DIP & 1L Borrowings | 1,642.9 | 1,642.9 | 1,642.9 | 1,642.9 | 1,380.3 | 1,384.6 | 1,274.5 | 1,317.7 | 1,301.9 | 1,299.0 | 1,264.4 | 1,146.7 | 1,068.4 | 1,069.7 | 1,064.8 | 1,080.7 | 1,119.9 | 1,176.1 | 1,068.4 | 1,176.1 |
| | Memo: Jr DIP Borrowings | - | - | - | - | 111.9 | 111.9 | 206.0 | 206.0 | 206.0 | 206.0 | 206.0 | 206.0 | 300.0 | 300.0 | 300.0 | 300.0 | 300.0 | 300.0 | 300.0 | 300.0 |

# Summary Bridge: (10/15/18 DIP Budget with 3 weeks of actual vs. Revised DIP Budget)

| | Actualized DIP Budget 18 Weeks | Updated 410 Budget 18 Weeks | Variance B / (W) 18 Weeks | Notes |
|---|---|---|---|---|
| **CASH RECEIPTS** | | | | |
| Normal Course Net Merchandise Receipts | $1,813.2 | $1,841.5 | $28.3 | Includes aggregated Wave 1 GOB sales (Actuals through Week 3) |
| Plus: GOB Sales Receipts | 825.9 | 811.6 | (14.3) | A portion of GOB sales are comingled with normal course receipts; to be updated when GOB reporitng in place |
| Plus: Other Cash Receipts | 826.4 | 700.7 | (125.8) | Change to PA sales plan and based on new underwriting partner and temporary sales dislocation |
| Plus: Non-Operating Receipts | 11.8 | 6.8 | (5.0) | Does not include 3 weeks of actuals aggregated into net other cash receipts |
| Plus: TSA & CSA Receipts | 0.0 | 0.0 | 0.0 | Line now included for scenario analysis purposes - No assumption in baseline model |
| **Total Cash Receipts** | **$3,477.4** | **$3,360.6** | **($116.8)** | |
| **OPERATING DISBURSEMENTS** | | | | |
| Merchandise Vendors | $1,130.3 | $1,121.6 | $8.6 | Lower disbursements than forecast due to short-term transportation bottlenecks |
| Occupancy | 58.8 | 92.3 | (33.5) | Reclassification of DC rent to Occupancy cost |
| Payroll, Taxes, and Benefits | 745.1 | 743.8 | 1.3 | No material changes to forecast - *still pending update from SG&A team* |
| Other SG&A Disbursements | 1226.7 | 1208.7 | 17.9 | Includes: reclassification of DC rent to Occupancy cost, update of Company non-merch forecast, change in forecasting aggregation methodogy, and captures yet-to-be-allocated GOB expenses |
| GOB Rent | 53.4 | 41.9 | 11.5 | To be updated following initial GOB reporting; potential offsets across other GOB expenses |
| GOB Addt'l Expenses | 176.9 | 135.6 | 41.3 | A significant portion of GOB expenses are comingled with SG&A disbursements; to be updated when GOB reporting in place |
| GOB Liquidator Fees | 0.6 | 0.4 | 0.1 | No material changes to forecast |
| Less: GOB Store Level Expenses Add-Back | (142.4) | (128.0) | (14.4) | To be updated following initial GOB reporting |
| **Total Operating Disbursements** | **$3,249.3** | **$3,216.4** | **$32.9** | |
| Less: CapEx | 17.9 | 16.8 | 1.1 | Week 1-3 actuals lower than forecast - treated as permanent |
| **Net Cash Flow** | **$210.1** | **$127.4** | **($82.8)** | |
| **NON-OPERATING CASH FLOW** | | | | |
| **Chapter 11 Related** | 205.6 | 205.6 | 0.0 | *Weeks-1-3 variances treated as timing* |
| Less: Cash Interest | 63.1 | 68.4 | (5.3) | Reflects Junior DIP interest |
| Less: Financing Fees | 23.8 | 26.1 | (2.3) | Includes Junior DIP fees |
| **Total Other Non-Operating Disbursements** | **$86.9** | **$94.4** | **($7.5)** | |
| Unencumbered Assets | 53.4 | 53.4 | 0.0 | No material changes to assumptions in baseline model |
| Excess Proceeds | 0.0 | 0.0 | 0.0 | Line now included for scenario analysis purposes - No assumption in baseline model |
| **Total Asset Sales** | **$53.4** | **$53.4** | **$0.0** | |
| **Net Cash Flow Before ABL Paydown, ex TL** | (28.9) | (119.2) | (90.3) | Negative variance primarily attributable to reforecast of PA sales |
| Other Financing | (466.8) | (77.7) | 389.1 | Reclassification of $350mm Junior DIP + $95mm additional financing need due to cash burn |
| **Net Cash Flow** | **($83.8)** | **($85.0)** | **($1.2)** | |
| Available Cash - Ending | 0.0 | 0.0 | 0.0 | |
| Net Availability | (80.9) | (129.2) | (48.2) | |
| **Memo: Total Liquidity (Availability + Cash)** | **($80.9)** | **($129.2)** | **($48.2)** | |
| Memo: Wind-down Reserve Balance | 53.4 | 53.4 | 0.0 | |
| Memo: Merchandise COGS | 1,412.7 | 1,164.9 | (247.8) | |
| Memo: GOB COGS | 658.8 | 661.6 | 2.8 | |
| Memo: Borrowing Base | 1,095.2 | 1,086.1 | (9.1) | |
| Memo: Sr. DIP & 1L Borrowings | 1,176.1 | 1,215.2 | 39.1 | |

# Revised DIP Budget (410 Stores)

**Project Blue - Cash Flow Forecast, Go-Forward Same-Store Sales of (15.0%) with 410 Go-Forward Stores**

| Month | October | | | November | | | | December | | | | | January | | | | February | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Week | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | Weeks |
| Retail Week EoP | 10/20/18 | 10/27/18 | 11/3/18 | 11/10/18 | 11/17/18 | 11/24/18 | 12/1/18 | 12/8/18 | 12/15/18 | 12/22/18 | 12/29/18 | 1/5/19 | 1/12/19 | 1/19/19 | 1/26/19 | 2/2/19 | 2/9/19 | 2/16/19 | |
| Unique Week | 201837 | 201838 | 201839 | 201840 | 201841 | 201842 | 201843 | 201844 | 201845 | 201846 | 201847 | 201848 | 201849 | 201850 | 201851 | 201852 | 201901 | 201902 | 1-18 |
| **CASH RECEIPTS** | | | | | | | | | | | | | | | | | | | |
| [1] Normal Course Net Merchandise Receipts | $133.1 | $111.6 | $151.0 | $94.4 | $111.2 | $81.9 | $167.7 | $81.9 | $102.2 | $100.1 | $125.6 | $168.2 | $91.1 | $76.5 | $65.6 | $63.2 | $58.2 | $58.0 | $1,841.5 |
| [2] Plus: GOB Sales Receipts | 0.0 | 0.0 | 0.0 | 52.5 | 50.3 | 90.3 | 95.3 | 96.4 | 90.0 | 83.9 | 74.5 | 64.5 | 50.1 | 27.6 | 21.8 | 14.5 | 0.0 | 0.0 | 811.6 |
| [3] Plus: PA Sales | 2.5 | 11.1 | 4.9[1] | 2.3 | 6.0 | 6.1 | 9.3 | 7.7 | 6.4 | 6.7 | 6.2 | 6.3 | 6.8 | 7.1 | 6.7 | 6.4 | 6.6 | 6.2 | 115.1 |
| [4] Plus: Other Cash Receipts | 50.7 | 45.8 | 41.1 | 20.0 | 20.0 | 20.0 | 20.0 | 24.5 | 24.5 | 24.5 | 24.5 | 24.5 | 40.9 | 40.9 | 40.9 | 40.9 | 40.9 | 40.9 | 585.5 |
| [5] Plus: Non-Operating Receipts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.7 | 0.0 | 0.0 | 0.0 | 0.0 | 1.8 | 0.0 | 0.0 | 0.0 | 2.3 | 0.0 | 0.0 | 6.8 |
| [6] Plus: TSA & CSA Receipts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total Cash Receipts** | $186.3 | $168.5 | $197.0 | $169.2 | $187.6 | $198.3 | $295.1 | $210.4 | $223.1 | $215.1 | $230.8 | $265.2 | $189.0 | $152.1 | $134.9 | $127.2 | $105.6 | $105.1 | $3,360.6 |
| **OPERATING DISBURSEMENTS** | | | | | | | | | | | | | | | | | | | |
| [7] Merchandise Vendors | $21.0 | $71.1 | $52.0 | $86.1 | $91.5 | $98.8 | $76.5 | $71.9 | $80.7 | $73.2 | $44.3 | $46.0 | $52.9 | $50.3 | $48.4 | $49.5 | $53.4 | $54.0 | $1,121.6 |
| [8] Occupancy | 0.0 | 0.0 | 0.0 | 17.8 | 3.1 | 1.2 | 1.2 | 15.1 | 5.8 | 1.2 | 1.2 | 1.2 | 19.7 | 1.2 | 1.2 | 1.2 | 15.1 | 5.8 | 92.3 |
| [9] Payroll, Taxes, and Benefits | 44.0 | 27.8 | 65.2 | 31.1 | 59.7 | 31.4 | 72.8 | 39.3 | 62.7 | 33.2 | 42.1 | 31.2 | 39.3 | 27.2 | 26.6 | 43.0 | 29.5 | 37.6 | 743.8 |
| [10] Other SG&A Disbursements | 15.9 | 52.9 | 46.1 | 95.7 | 79.1 | 89.7 | 101.6 | 89.6 | 57.8 | 77.6 | 65.1 | 61.5 | 65.3 | 57.0 | 67.3 | 56.6 | 70.2 | 59.6 | 1,208.7 |
| [11] GOB Rent | 0.0 | 0.0 | 0.0 | 14.0 | 1.6 | 0.0 | 0.0 | 11.7 | 3.9 | 0.0 | 0.0 | 0.0 | 10.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 41.9 |
| [11] GOB Add'l Expenses | 0.0 | 0.0 | 0.0 | 6.8 | 6.8 | 12.9 | 13.1 | 13.2 | 13.3 | 13.2 | 13.1 | 12.9 | 12.6 | 6.1 | 5.9 | 5.8 | 0.0 | 0.0 | 135.6 |
| [11] GOB Liquidator Fees | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 |
| [11] Less: GOB Store Level Expenses Add-Back | 0.0 | 0.0 | 0.0 | (5.5) | (5.5) | (10.6) | (10.6) | (9.4) | (9.4) | (9.4) | (9.4) | (9.4) | (8.0) | (8.0) | (8.0) | (8.0) | (8.2) | (8.2) | (128.0) |
| **Total Operating Disbursements** | $80.9 | $151.7 | $163.3 | $246.2 | $236.1 | $223.5 | $254.6 | $231.4 | $214.8 | $189.1 | $156.5 | $143.5 | $192.6 | $133.7 | $141.5 | $148.1 | $160.0 | $148.9 | $3,216.4 |
| [12] Less: CapEx | 0.0 | 0.0 | 0.0 | 1.7 | 1.2 | 1.1 | 1.1 | 1.1 | 1.4 | 1.0 | 0.9 | 1.1 | 1.1 | 0.9 | 1.2 | 1.1 | 1.1 | 1.1 | 16.8 |
| **Net Cash Flow** | $105.4 | $16.8 | $33.8 | ($78.7) | ($49.7) | ($26.2) | $39.4 | ($22.0) | $6.9 | $25.0 | $73.5 | $120.6 | ($4.7) | $17.5 | ($7.7) | ($22.0) | ($55.5) | ($45.0) | $127.4 |
| **NON-OPERATING CASH FLOW** | | | | | | | | | | | | | | | | | | | |
| [13] Utility Deposits | $0.0 | $0.0 | $0.0 | $0.0 | $9.2 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $9.2 |
| [14] Less: Professional Fees | 0.0 | 0.0 | 0.0 | 0.0 | 2.0 | 0.0 | 0.0 | 0.0 | 17.4 | 0.0 | 0.0 | 0.0 | 0.0 | 15.9 | 0.0 | 0.0 | 0.0 | 23.5 | 58.8 |
| [15] Critical Vendor Payments | 0.0 | 9.1 | 0.0 | 15.0 | 15.0 | 15.0 | 15.0 | 11.0 | 9.0 | 8.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 98.0 |
| [16] Insurance Payments | 0.0 | 0.0 | 0.0 | 0.0 | 4.3 | 4.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 8.6 |
| [17] Gift Card Redemptions | 0.0 | 0.0 | 0.0 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 10.9 |
| [18] KEIP / KERP | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 12.6 |
| [19] Credit Card Holdbacks | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| [20] PTO | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4.2 | 0.0 | 0.0 | 0.0 | 3.3 | 0.0 | 0.0 | 7.5 |
| [21] Post-Petition TSA/CSA | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Chapter 11 Related** | $0.0 | $9.1 | $0.0 | $16.2 | $31.8 | $26.8 | $16.2 | $12.2 | $27.6 | $10.1 | $1.2 | $5.4 | $6.3 | $15.9 | $0.0 | $3.3 | $0.0 | $23.5 | $205.6 |
| [22] Less: Cash Interest | $0.9 | $1.1 | $1.1 | $4.1 | $4.1 | $3.9 | $3.6 | $3.8 | $4.2 | $4.5 | $4.5 | $4.6 | $4.6 | $4.7 | $4.7 | $4.7 | $4.7 | $4.7 | $68.4 |
| [23] Less: Financing Fees | 10.3 | 0.0 | 0.0 | 0.0 | 8.8 | 0.0 | 0.0 | 0.0 | 0.0 | 7.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 26.1 |
| **Total Other Non-Operating Disbursements** | $11.2 | $1.1 | $1.1 | $4.1 | $12.9 | $3.9 | $3.6 | $3.8 | $4.2 | $11.5 | $4.5 | $4.6 | $4.6 | $4.7 | $4.7 | $4.7 | $4.7 | $4.7 | $94.4 |
| [24] Unencumbered Assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 | 53.4 |
| [25] Excess Proceeds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total Asset Sales** | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $8.9 | $8.9 | $8.9 | $8.9 | $8.9 | $8.9 | $53.4 |
| [26] **Net Cash Flow Before ABL Paydown, ex TL** | $94.2 | $6.6 | $32.7 | ($99.0) | ($94.4) | ($56.9) | $19.5 | ($38.0) | ($24.9) | $3.4 | $67.7 | $110.6 | ($6.6) | $5.9 | ($3.4) | ($21.0) | ($51.3) | ($64.3) | ($119.2) |
| [27] Term Loan Draw | $111.9 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $111.9 |
| [28] **Net Cash Flow Before ABL Paydown, w/TL** | $206.1 | $6.6 | $32.7 | ($99.0) | ($94.4) | ($56.9) | $19.5 | ($38.0) | ($24.9) | $3.4 | $67.7 | $110.6 | ($6.6) | $5.9 | ($3.4) | ($21.0) | ($51.3) | ($64.3) | ($7.3) |
| [29] Other Financing | $0.0 | $0.0 | $0.0 | $0.0 | ($136.9) | $56.9 | ($19.5) | $38.0 | $24.9 | ($3.4) | ($67.7) | ($110.6) | $6.6 | ($5.9) | $3.4 | $21.0 | $51.3 | $64.3 | ($77.7) |
| **Net Cash Flow** | $206.1 | $6.6 | $32.7 | ($99.0) | ($231.3) | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | ($85.0) |
| [30] Available Cash | 296.5 | 297.7 | 330.4 | 231.3 | (0.0) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| [31] Net Availability | 155.5 | 115.0 | 66.5 | 82.1 | 173.5 | 89.5 | 160.4 | 204.3 | 137.4 | 100.0 | 164.8 | 177.9 | 49.4 | 41.1 | 5.5 | (41.4) | (79.7) | (129.2) | (129.2) |
| [32] **Memo: Total Liquidity (Availability + Cash)** | $452.0 | $412.7 | $396.9 | $313.4 | $173.5 | $89.5 | $160.4 | $204.3 | $137.4 | $100.0 | $164.8 | $177.9 | $49.4 | $41.1 | $5.5 | ($41.4) | ($79.7) | ($129.2) | ($129.2) |
| Memo: Wind-down Reserve Balance | | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $8.9 | $17.8 | $26.7 | $35.6 | $44.5 | $53.4 | $53.4 |
| Memo: Merchandise COGS | | 74.1 | 64.3 | 67.0 | 79.0 | 58.2 | 119.1 | 58.2 | 72.6 | 71.1 | 89.2 | 119.4 | 64.7 | 54.3 | 46.6 | 44.8 | 41.3 | 41.2 | 1,164.9 |
| Memo: GOB COGS | | 0.0 | 26.5 | 30.7 | 31.5 | 58.3 | 64.4 | 65.8 | 67.2 | 66.4 | 66.0 | 58.5 | 53.1 | 27.8 | 23.5 | 21.7 | 0.0 | 0.0 | 661.6 |
| Memo: Borrowing Base | 1,798.5 | 1,757.9 | 1,709.4 | 1,725.0 | 1,679.5 | 1,652.4 | 1,553.8 | 1,485.7 | 1,443.7 | 1,402.9 | 1,350.0 | 1,252.5 | 1,130.5 | 1,116.3 | 1,084.1 | 1,058.2 | 1,071.2 | 1,086.1 | |
| Memo: Sr. DIP & 1L Borrowings | 1,642.9 | 1,642.9 | 1,642.9 | 1,642.9 | 1,506.0 | 1,562.9 | 1,393.4 | 1,281.4 | 1,306.3 | 1,302.9 | 1,185.2 | 1,074.5 | 1,081.1 | 1,075.2 | 1,078.6 | 1,099.6 | 1,150.9 | 1,215.2 | |
| Memo: Jr DIP Borrowings | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 150.0 | 300.0 | 300.0 | 300.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | |

1. Includes other cash receipts and SHS inflows due to one-week lag in allocation actualization process

# Additional Store Footprint Scenarios

# 505 Store Scenario

**Project Blue - Cash Flow Forecast, Go-Forward Same-Store Sales of (15.0%) with 505 Go-Forward Stores**

| Month | October | | | November | | | | December | | | | | January | | | | February | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Week | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | Weeks |
| Retail Week EoP | 10/20/18 | 10/27/18 | 11/3/18 | 11/10/18 | 11/17/18 | 11/24/18 | 12/1/18 | 12/8/18 | 12/15/18 | 12/22/18 | 12/29/18 | 1/5/19 | 1/12/19 | 1/19/19 | 1/26/19 | 2/2/19 | 2/9/19 | 2/16/19 | |
| Unique Week | 201837 | 201838 | 201839 | 201840 | 201841 | 201842 | 201843 | 201844 | 201845 | 201846 | 201847 | 201848 | 201849 | 201850 | 201851 | 201852 | 201901 | 201902 | 1-18 |
| **CASH RECEIPTS** | | | | | | | | | | | | | | | | | | | |
| [1] Normal Course Net Merchandise Receipts | $133.1 | $111.6 | $151.0 | $94.4 | $111.2 | $96.4 | $201.4 | $96.4 | $120.2 | $117.2 | $148.7 | $197.8 | $106.8 | $89.1 | $77.0 | $74.4 | $67.8 | $67.6 | $2,062.2 |
| [2] Plus: GOB Sales Receipts | 0.0 | 0.0 | 0.0 | 52.5 | 50.3 | 65.5 | 63.7 | 64.8 | 56.7 | 51.5 | 41.8 | 36.1 | 26.3 | 7.6 | 6.3 | 4.2 | 0.0 | 0.0 | 527.3 |
| [3] Plus: PA Sales | 2.5 | 11.1 | 4.9 [1] | 2.3 | 6.0 | 6.1 | 9.3 | 7.7 | 6.4 | 6.7 | 6.2 | 6.3 | 6.8 | 7.1 | 6.7 | 6.4 | 6.6 | 6.2 | 115.1 |
| [4] Plus: Other Cash Receipts | 50.7 | 45.8 | 41.1 | 20.0 | 20.0 | 20.0 | 20.0 | 24.5 | 24.5 | 24.5 | 24.5 | 24.5 | 40.9 | 40.9 | 40.9 | 40.9 | 40.9 | 40.9 | 585.5 |
| [5] Plus: Non-Operating Receipts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.7 | 0.0 | 0.0 | 0.0 | 0.0 | 1.8 | 0.0 | 0.0 | 0.0 | 2.3 | 0.0 | 0.0 | 6.8 |
| [6] Plus: TSA & CSA Receipts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total Cash Receipts** | $186.3 | $168.5 | $197.0 | $169.2 | $187.6 | $188.0 | $297.2 | $193.4 | $207.8 | $199.8 | $221.2 | $266.5 | $180.8 | $144.7 | $130.8 | $128.2 | $115.3 | $114.7 | $3,297.0 |
| **OPERATING DISBURSEMENTS** | | | | | | | | | | | | | | | | | | | |
| [7] Merchandise Vendors | $21.0 | $71.1 | $52.0 | $91.3 | $105.8 | $114.5 | $86.4 | $81.2 | $94.8 | $85.4 | $50.7 | $52.9 | $61.6 | $58.2 | $55.7 | $57.0 | $61.4 | $62.1 | $1,262.9 |
| [8] Occupancy | 0.0 | 0.0 | 0.0 | 21.5 | 3.5 | 1.2 | 1.2 | 18.2 | 6.9 | 1.2 | 1.2 | 1.2 | 23.8 | 1.2 | 1.2 | 1.2 | 18.2 | 6.9 | 108.8 |
| [9] Payroll, Taxes, and Benefits | 44.0 | 27.8 | 65.2 | 31.1 | 59.7 | 31.4 | 72.8 | 39.3 | 62.7 | 33.2 | 42.1 | 31.2 | 39.3 | 27.2 | 26.6 | 43.0 | 29.5 | 37.6 | 743.8 |
| [10] Other SG&A Disbursements | 15.9 | 52.9 | 46.1 | 95.7 | 79.1 | 89.7 | 101.6 | 89.6 | 57.8 | 77.6 | 65.1 | 61.5 | 65.3 | 57.0 | 67.3 | 56.6 | 70.2 | 59.6 | 1,208.7 |
| [11] GOB Rent | 0.0 | 0.0 | 0.0 | 10.3 | 1.1 | 0.0 | 0.0 | 8.6 | 2.9 | 0.0 | 0.0 | 0.0 | 6.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 29.5 |
| [11] GOB Addt'l Expenses | 0.0 | 0.0 | 0.0 | 6.8 | 6.8 | 8.6 | 8.8 | 8.8 | 8.8 | 8.7 | 8.6 | 8.4 | 8.2 | 1.7 | 1.7 | 1.6 | 0.0 | 0.0 | 87.4 |
| [11] GOB Liquidator Fees | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 |
| [11] Less: GOB Store Level Expenses Add-Back | 0.0 | 0.0 | 0.0 | (5.5) | (5.5) | (7.0) | (7.0) | (6.2) | (6.2) | (6.2) | (6.2) | (6.2) | (5.2) | (5.2) | (5.2) | (5.2) | (5.3) | (5.3) | (87.5) |
| **Total Operating Disbursements** | $80.9 | $151.7 | $163.3 | $251.3 | $250.5 | $238.6 | $263.9 | $239.6 | $227.7 | $199.9 | $161.6 | $149.2 | $199.5 | $140.1 | $147.4 | $154.2 | $174.0 | $160.9 | $3,354.2 |
| [12] Less: CapEx | 0.0 | 0.0 | 0.0 | 1.7 | 1.2 | 1.1 | 1.1 | 1.1 | 1.4 | 1.0 | 0.9 | 1.1 | 1.1 | 0.9 | 1.2 | 1.1 | 1.1 | 1.1 | 16.8 |
| **Net Cash Flow** | $105.4 | $16.8 | $33.8 | ($83.8) | ($64.1) | ($51.7) | $32.2 | ($47.3) | ($21.2) | ($1.2) | $58.7 | $116.2 | ($19.8) | $3.7 | ($17.7) | ($27.0) | ($59.7) | ($47.3) | ($74.0) |
| **NON-OPERATING CASH FLOW** | | | | | | | | | | | | | | | | | | | |
| [13] Utility Deposits | $0.0 | $0.0 | $0.0 | $0.0 | $9.2 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $9.2 |
| [14] Less: Professional Fees | 0.0 | 0.0 | 0.0 | 0.0 | 2.0 | 0.0 | 0.0 | 0.0 | 17.4 | 0.0 | 0.0 | 0.0 | 0.0 | 15.9 | 0.0 | 0.0 | 0.0 | 23.5 | 58.8 |
| [15] Critical Vendor Payments | 0.0 | 9.1 | 0.0 | 15.0 | 15.0 | 15.0 | 15.0 | 11.0 | 9.0 | 8.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 98.0 |
| [16] Insurance Payments | 0.0 | 0.0 | 0.0 | 0.0 | 4.3 | 4.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 8.6 |
| [17] Gift Card Redemptions | 0.0 | 0.0 | 0.0 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 10.9 |
| [18] KEIP / KERP | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 12.6 |
| [19] Credit Card Holdbacks | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| [20] PTO | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4.2 | 0.0 | 0.0 | 0.0 | 3.3 | 0.0 | 0.0 | 7.5 |
| [21] Post-Petition TSA/CSA | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Chapter 11 Related** | $0.0 | $9.1 | $0.0 | $16.2 | $31.8 | $26.8 | $16.2 | $12.2 | $27.6 | $10.1 | $1.2 | $5.4 | $6.3 | $15.9 | $0.0 | $3.3 | $0.0 | $23.5 | $205.6 |
| [22] Less: Cash Interest | $0.9 | $1.1 | $1.1 | $4.1 | $4.1 | $3.9 | $3.7 | $3.8 | $4.3 | $4.6 | $4.7 | $4.8 | $4.8 | $4.9 | $4.9 | $4.9 | $5.0 | $5.0 | $70.6 |
| [23] Less: Financing Fees | 10.3 | 0.0 | 0.0 | 0.0 | 8.8 | 0.0 | 0.0 | 0.0 | 0.0 | 7.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 26.1 |
| **Total Other Non-Operating Disbursements** | $11.2 | $1.1 | $1.1 | $4.1 | $12.9 | $3.9 | $3.7 | $3.8 | $4.3 | $11.6 | $4.7 | $4.8 | $4.8 | $4.9 | $4.9 | $4.9 | $5.0 | $5.0 | $96.6 |
| [24] Unencumbered Assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 | 53.4 |
| [25] Excess Proceeds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total Asset Sales** | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $8.9 | $8.9 | $8.9 | $8.9 | $8.9 | $8.9 | $53.4 |
| [26] **Net Cash Flow Before ABL Paydown, ex TL** | $94.2 | $6.6 | $32.7 | ($104.2) | ($108.7) | ($82.4) | $12.3 | ($63.3) | ($53.1) | ($22.9) | $52.8 | $106.0 | ($21.9) | ($8.2) | ($13.7) | ($26.4) | ($55.8) | ($66.9) | ($322.8) |
| [27] Term Loan Draw | $111.9 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $111.9 |
| [28] **Net Cash Flow Before ABL Paydown, w/TL** | $206.1 | $6.6 | $32.7 | ($104.2) | ($108.7) | ($82.4) | $12.3 | ($63.3) | ($53.1) | ($22.9) | $52.8 | $106.0 | ($21.9) | ($8.2) | ($13.7) | ($26.4) | ($55.8) | ($66.9) | ($210.9) |
| [29] Other Financing | $0.0 | $0.0 | $0.0 | $0.0 | ($117.4) | $82.4 | ($12.3) | $63.3 | $53.1 | $22.9 | ($52.8) | ($106.0) | $21.9 | $8.2 | $13.7 | $26.4 | $55.8 | $66.9 | $125.9 |
| **Net Cash Flow** | $206.1 | $6.6 | $32.7 | ($104.2) | ($226.2) | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | ($85.0) |
| [30] Available Cash | 296.5 | 297.7 | 330.4 | 226.2 | (0.0) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| [31] Net Availability | 155.5 | 115.0 | 66.5 | 83.0 | 170.5 | 75.4 | 157.8 | 186.9 | 102.7 | 53.5 | 114.6 | 126.0 | (13.6) | (25.0) | (62.7) | (107.1) | (147.1) | (198.8) | (198.8) |
| [32] **Memo: Total Liquidity (Availability + Cash)** | $452.0 | $412.7 | $396.9 | $309.2 | $170.5 | $75.4 | $157.8 | $186.9 | $102.7 | $53.5 | $114.6 | $126.0 | ($13.6) | ($25.0) | ($62.7) | ($107.1) | ($147.1) | ($198.8) | ($198.8) |
| Memo: Wind-down Reserve Balance | | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $8.9 | $17.8 | $26.7 | $35.6 | $44.5 | $53.4 | $53.4 |
| Memo: Merchandise COGS | | 74.1 | 64.3 | 67.0 | 79.0 | 68.4 | 143.0 | 68.4 | 85.4 | 83.2 | 105.6 | 140.4 | 75.8 | 63.2 | 54.7 | 52.9 | 48.2 | 48.0 | 1,321.6 |
| Memo: GOB COGS | | 0.0 | 26.5 | 30.7 | 31.5 | 41.8 | 45.2 | 46.6 | 45.4 | 43.1 | 40.5 | 35.3 | 31.9 | 7.8 | 6.6 | 6.1 | 0.0 | 0.0 | 439.1 |
| Memo: Borrowing Base | 1,798.5 | 1,757.9 | 1,709.4 | 1,725.9 | 1,695.9 | 1,683.3 | 1,603.3 | 1,545.7 | 1,514.6 | 1,488.4 | 1,446.7 | 1,352.0 | 1,234.3 | 1,231.0 | 1,207.1 | 1,189.0 | 1,204.8 | 1,220.0 | |
| Memo: Sr. DIP & 1L Borrowings | 1,642.9 | 1,642.9 | 1,642.9 | 1,642.9 | 1,525.5 | 1,607.9 | 1,445.5 | 1,358.8 | 1,412.0 | 1,434.9 | 1,332.1 | 1,226.0 | 1,247.9 | 1,256.1 | 1,269.8 | 1,296.1 | 1,351.9 | 1,418.9 | |
| Memo: Jr DIP Borrowings | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 150.0 | 300.0 | 300.0 | 300.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | |

1. Includes other cash receipts and SHS inflows due to one-week lag in allocation actualization process

# 359 Store Scenario

**Project Blue - Cash Flow Forecast, Go-Forward Same-Store Sales of (15.0%) with 359 Go-Forward Stores**

| | Month | October | | | November | | | | December | | | | | January | | | | February | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Week | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | Weeks |
| | Retail Week EoP | 10/20/18 | 10/27/18 | 11/3/18 | 11/10/18 | 11/17/18 | 11/24/18 | 12/1/18 | 12/8/18 | 12/15/18 | 12/22/18 | 12/29/18 | 1/5/19 | 1/12/19 | 1/19/19 | 1/26/19 | 2/2/19 | 2/9/19 | 2/16/19 | |
| | Unique Week | 201837 | 201838 | 201839 | 201840 | 201841 | 201842 | 201843 | 201844 | 201845 | 201846 | 201847 | 201848 | 201849 | 201850 | 201851 | 201852 | 201901 | 201902 | 1-18 |
| | **CASH RECEIPTS** | | | | | | | | | | | | | | | | | | | |
| [1] | Normal Course Net Merchandise Receipts | $133.1 | $111.6 | $151.0 | $94.4 | $111.2 | $73.9 | $148.0 | $73.9 | $92.2 | $91.5 | $113.8 | $153.0 | $82.5 | $69.1 | $59.2 | $57.0 | $52.8 | $52.4 | $1,720.7 |
| [2] | Plus: GOB Sales Receipts | 0.0 | 0.0 | 0.0 | 52.5 | 50.3 | 102.6 | 111.3 | 112.2 | 106.9 | 100.4 | 91.5 | 79.1 | 62.6 | 38.2 | 30.1 | 19.9 | 0.0 | 0.0 | 957.6 |
| [3] | Plus: PA Sales | 2.5 | 11.1 | 4.9[1] | 2.3 | 6.0 | 6.1 | 9.3 | 7.7 | 6.4 | 6.7 | 6.2 | 6.3 | 6.8 | 7.1 | 6.7 | 6.4 | 6.6 | 6.2 | 115.1 |
| [4] | Plus: Other Cash Receipts | 50.7 | 45.8 | 41.1 | 20.0 | 20.0 | 20.0 | 20.0 | 24.5 | 24.5 | 24.5 | 24.5 | 24.5 | 40.9 | 40.9 | 40.9 | 40.9 | 40.9 | 40.9 | 585.5 |
| [5] | Plus: Non-Operating Receipts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.7 | 0.0 | 0.0 | 0.0 | 0.0 | 1.8 | 0.0 | 0.0 | 0.0 | 2.3 | 0.0 | 0.0 | 6.8 |
| [6] | Plus: TSA & CSA Receipts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | **Total Cash Receipts** | **$186.3** | **$168.5** | **$197.0** | **$169.2** | **$187.6** | **$202.6** | **$291.4** | **$218.3** | **$230.0** | **$223.0** | **$236.0** | **$264.7** | **$192.8** | **$155.3** | **$136.9** | **$126.4** | **$100.2** | **$99.5** | **$3,385.8** |
| | **OPERATING DISBURSEMENTS** | | | | | | | | | | | | | | | | | | | |
| [7] | Merchandise Vendors | $21.0 | $71.1 | $52.0 | $83.5 | $83.8 | $90.4 | $71.3 | $67.1 | $73.7 | $66.8 | $40.2 | $41.9 | $48.3 | $46.0 | $44.3 | $45.4 | $49.0 | $49.6 | $1,045.3 |
| [8] | Occupancy | 0.0 | 0.0 | 0.0 | 16.1 | 2.9 | 1.2 | 1.2 | 13.6 | 5.4 | 1.2 | 1.2 | 1.2 | 17.7 | 1.2 | 1.2 | 1.2 | 13.6 | 5.4 | 84.6 |
| [9] | Payroll, Taxes, and Benefits | 44.0 | 27.8 | 65.2 | 31.1 | 59.7 | 31.4 | 72.8 | 39.3 | 62.7 | 33.2 | 42.1 | 31.2 | 39.3 | 27.2 | 26.6 | 43.0 | 29.5 | 37.6 | 743.8 |
| [10] | Other SG&A Disbursements | 15.9 | 52.9 | 46.1 | 95.7 | 79.1 | 89.7 | 101.6 | 89.6 | 57.8 | 77.6 | 65.1 | 61.5 | 65.3 | 57.0 | 67.3 | 56.6 | 70.2 | 59.6 | 1,208.7 |
| [11] | GOB Rent | 0.0 | 0.0 | 0.0 | 15.8 | 1.8 | 0.0 | 0.0 | 13.1 | 4.4 | 0.0 | 0.0 | 0.0 | 12.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 47.7 |
| [11] | GOB Addt'l Expenses | 0.0 | 0.0 | 0.0 | 6.8 | 6.8 | 15.0 | 15.4 | 15.4 | 15.5 | 15.5 | 15.4 | 15.2 | 14.9 | 8.3 | 8.1 | 7.9 | 0.0 | 0.0 | 160.2 |
| [11] | GOB Liquidator Fees | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 |
| [11] | Less: GOB Store Level Expenses Add-Back | 0.0 | 0.0 | 0.0 | (5.5) | (5.5) | (12.6) | (12.6) | (11.2) | (11.2) | (11.2) | (11.2) | (11.2) | (9.5) | (9.5) | (9.5) | (9.5) | (9.7) | (9.7) | (149.6) |
| | **Total Operating Disbursements** | **$80.9** | **$151.7** | **$163.3** | **$243.5** | **$228.5** | **$215.2** | **$249.7** | **$227.2** | **$208.3** | **$183.2** | **$153.0** | **$140.0** | **$188.7** | **$130.2** | **$138.0** | **$144.6** | **$152.7** | **$142.4** | **$3,141.1** |
| [12] | Less: CapEx | 0.0 | 0.0 | 0.0 | 1.7 | 1.2 | 1.1 | 1.1 | 1.1 | 1.4 | 1.0 | 0.9 | 1.1 | 1.1 | 0.9 | 1.2 | 1.1 | 1.1 | 1.1 | 16.8 |
| | **Net Cash Flow** | **$105.4** | **$16.8** | **$33.8** | **($76.1)** | **($42.1)** | **($13.7)** | **$40.6** | **($9.9)** | **$20.3** | **$38.7** | **$82.1** | **$123.6** | **$3.0** | **$24.3** | **($2.3)** | **($19.2)** | **($53.5)** | **($44.1)** | **$227.9** |
| | **NON-OPERATING CASH FLOW** | | | | | | | | | | | | | | | | | | | |
| [13] | Utility Deposits | $0.0 | $0.0 | $0.0 | $0.0 | $9.2 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $9.2 |
| [14] | Less: Professional Fees | 0.0 | 0.0 | 0.0 | 0.0 | 2.0 | 0.0 | 0.0 | 0.0 | 17.4 | 0.0 | 0.0 | 0.0 | 0.0 | 15.9 | 0.0 | 0.0 | 0.0 | 23.5 | 58.8 |
| [15] | Critical Vendor Payments | 0.0 | 9.1 | 0.0 | 15.0 | 15.0 | 15.0 | 15.0 | 11.0 | 9.0 | 8.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 98.0 |
| [16] | Insurance Payments | 0.0 | 0.0 | 0.0 | 0.0 | 4.3 | 4.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 8.6 |
| [17] | Gift Card Redemptions | 0.0 | 0.0 | 0.0 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 10.9 |
| [18] | KEIP / KERP | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 12.6 |
| [19] | Credit Card Holdbacks | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| [20] | PTO | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4.2 | 0.0 | 0.0 | 0.0 | 3.3 | 0.0 | 0.0 | 7.5 |
| [21] | Post-Petition TSA/CSA | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | **Chapter 11 Related** | **$0.0** | **$9.1** | **$0.0** | **$16.2** | **$31.8** | **$26.8** | **$16.2** | **$12.2** | **$27.6** | **$10.1** | **$1.2** | **$5.4** | **$6.3** | **$15.9** | **$0.0** | **$3.3** | **$0.0** | **$23.5** | **$205.6** |
| [22] | Less: Cash Interest | $0.9 | $1.1 | $1.1 | $4.1 | $4.1 | $3.9 | $3.6 | $3.7 | $4.1 | $4.5 | $4.5 | $4.5 | $4.5 | $4.5 | $4.5 | $4.5 | $4.5 | $4.6 | $67.3 |
| [23] | Less: Financing Fees | 10.3 | 0.0 | 0.0 | 0.0 | 8.8 | 0.0 | 0.0 | 0.0 | 0.0 | 7.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 26.1 |
| | **Total Other Non-Operating Disbursements** | **$11.2** | **$1.1** | **$1.1** | **$4.1** | **$12.9** | **$3.9** | **$3.6** | **$3.7** | **$4.1** | **$11.5** | **$4.5** | **$4.5** | **$4.5** | **$4.5** | **$4.5** | **$4.5** | **$4.5** | **$4.6** | **$93.3** |
| [24] | Unencumbered Assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 | 53.4 |
| [25] | Excess Proceeds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | **Total Asset Sales** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$8.9** | **$8.9** | **$8.9** | **$8.9** | **$8.9** | **$8.9** | **$53.4** |
| [26] | **Net Cash Flow Before ABL Paydown, ex TL** | **$94.2** | **$6.6** | **$32.7** | **($96.4)** | **($86.7)** | **($44.3)** | **$20.8** | **($25.8)** | **($11.4)** | **$17.1** | **$76.5** | **$113.7** | **$1.2** | **$12.8** | **$2.1** | **($18.1)** | **($49.1)** | **($63.3)** | **($17.5)** |
| [27] | Term Loan Draw | $111.9 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $111.9 |
| [28] | **Net Cash Flow Before ABL Paydown, w/TL** | **$206.1** | **$6.6** | **$32.7** | **($96.4)** | **($86.7)** | **($44.3)** | **$20.8** | **($25.8)** | **($11.4)** | **$17.1** | **$76.5** | **$113.7** | **$1.2** | **$12.8** | **$2.1** | **($18.1)** | **($49.1)** | **($63.3)** | **$94.4** |
| [29] | Other Financing | $0.0 | $0.0 | $0.0 | $0.0 | ($147.3) | $44.3 | ($20.8) | $25.8 | $11.4 | ($17.1) | ($76.5) | ($113.7) | ($1.2) | ($12.8) | ($2.1) | $18.1 | $49.1 | $63.3 | ($179.4) |
| | **Net Cash Flow** | **$206.1** | **$6.6** | **$32.7** | **($96.4)** | **($234.0)** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **($85.0)** |
| [30] | Available Cash | 296.5 | 297.7 | 330.4 | 234.0 | (0.0) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| [31] | Net Availability | 155.5 | 115.0 | 66.5 | 81.6 | 175.3 | 96.7 | 160.6 | 211.7 | 153.3 | 122.3 | 189.8 | 204.1 | 81.0 | 72.2 | 35.1 | (14.9) | (49.5) | (97.5) | (97.5) |
| [32] | **Memo: Total Liquidity (Availability + Cash)** | **$452.0** | **$412.7** | **$396.9** | **$315.6** | **$175.3** | **$96.7** | **$160.6** | **$211.7** | $\boxed{\textbf{\$153.3}}$ | **$122.3** | $\boxed{\textbf{\$189.8}}$ | **$204.1** | **$81.0** | **$72.2** | **$35.1** | **($14.9)** | **($49.5)** | **($97.5)** | $\boxed{\textbf{(\$97.5)}}$ |
| | Memo: Wind-down Reserve Balance | | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $8.9 | $17.8 | $26.7 | $35.6 | $44.5 | $53.4 | $53.4 |
| | Memo: Merchandise COGS | | 74.1 | 64.3 | 67.0 | 79.0 | 52.5 | 105.1 | 52.5 | 65.5 | 64.9 | 80.8 | 108.6 | 58.6 | 49.1 | 42.1 | 40.5 | 37.5 | 37.2 | 1,079.2 |
| | Memo: GOB COGS | | 0.0 | 26.5 | 30.7 | 31.5 | 66.7 | 74.0 | 75.3 | 78.1 | 78.2 | 79.2 | 70.3 | 63.9 | 38.2 | 32.2 | 29.9 | 0.0 | 0.0 | 774.5 |
| | Memo: Borrowing Base | 1,798.5 | 1,757.9 | 1,709.4 | 1,724.5 | 1,671.0 | 1,636.7 | 1,529.8 | 1,456.8 | 1,409.7 | 1,361.6 | 1,302.6 | 1,203.2 | 1,079.0 | 1,059.5 | 1,023.0 | 993.1 | 1,004.6 | 1,019.4 | |
| | Memo: Sr. DIP & 1L Borrowings | 1,642.9 | 1,642.9 | 1,642.9 | 1,642.9 | 1,495.7 | 1,540.0 | 1,369.2 | 1,245.0 | 1,256.4 | 1,239.3 | 1,112.9 | 999.1 | 998.0 | 985.1 | 983.0 | 1,001.2 | 1,050.3 | 1,113.6 | |
| | Memo: Jr DIP Borrowings | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 150.0 | 300.0 | 300.0 | 300.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | |

1. Includes other cash receipts and SHS inflows due to one-week lag in allocation actualization process

# 300 Store Scenario

**Project Blue - Cash Flow Forecast, Go-Forward Same-Store Sales of (15.0%) with 300 Go-Forward Stores**

| | Month | October | | | November | | | | December | | | | | January | | | | February | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Week | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | Weeks |
| | Retail Week EoP | 10/20/18 | 10/27/18 | 11/3/18 | 11/10/18 | 11/17/18 | 11/24/18 | 12/1/18 | 12/8/18 | 12/15/18 | 12/22/18 | 12/29/18 | 1/5/19 | 1/12/19 | 1/19/19 | 1/26/19 | 2/2/19 | 2/9/19 | 2/16/19 | |
| | Unique Week | 201837 | 201838 | 201839 | 201840 | 201841 | 201842 | 201843 | 201844 | 201845 | 201846 | 201847 | 201848 | 201849 | 201850 | 201851 | 201852 | 201901 | 201902 | 1-18 |
| | **CASH RECEIPTS** | | | | | | | | | | | | | | | | | | | |
| [1] | Normal Course Net Merchandise Receipts | $133.1 | $111.6 | $151.0 | $94.4 | $111.2 | $63.0 | $123.9 | $63.0 | $78.8 | $78.4 | $97.2 | $130.7 | $70.5 | $59.3 | $50.4 | $48.4 | $45.0 | $44.8 | $1,554.6 |
| [2] | Plus: GOB Sales Receipts | 0.0 | 0.0 | 0.0 | 52.5 | 50.3 | 118.7 | 132.0 | 132.5 | 128.8 | 121.0 | 112.6 | 97.0 | 78.1 | 50.6 | 40.3 | 26.6 | 0.0 | 0.0 | 1,141.1 |
| [3] | Plus: PA Sales | 2.5 | 11.1 | 4.9[1] | 2.3 | 6.0 | 6.1 | 9.3 | 7.7 | 6.4 | 6.7 | 6.2 | 6.3 | 6.8 | 7.1 | 6.7 | 6.4 | 6.6 | 6.2 | 115.1 |
| [4] | Plus: Other Cash Receipts | 50.7 | 45.8 | 41.1 | 20.0 | 20.0 | 20.0 | 20.0 | 24.5 | 24.5 | 24.5 | 24.5 | 24.5 | 40.9 | 40.9 | 40.9 | 40.9 | 40.9 | 40.9 | 585.5 |
| [5] | Plus: Non-Operating Receipts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.7 | 0.0 | 0.0 | 0.0 | 0.0 | 1.8 | 0.0 | 0.0 | 0.0 | 2.3 | 0.0 | 0.0 | 6.8 |
| [6] | Plus: TSA & CSA Receipts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | **Total Cash Receipts** | **$186.3** | **$168.5** | **$197.0** | **$169.2** | **$187.6** | **$207.7** | **$288.0** | **$227.6** | **$238.5** | **$230.5** | **$240.5** | **$260.3** | **$196.4** | **$157.8** | **$138.2** | **$124.6** | **$92.5** | **$91.9** | **$3,403.2** |
| | **OPERATING DISBURSEMENTS** | | | | | | | | | | | | | | | | | | | |
| [7] | Merchandise Vendors | $21.0 | $71.1 | $52.0 | $79.6 | $73.4 | $79.1 | $63.4 | $59.7 | $62.9 | $57.1 | $34.5 | $35.6 | $40.7 | $38.8 | $37.4 | $38.3 | $41.4 | $41.9 | $927.9 |
| [8] | Occupancy | 0.0 | 0.0 | 0.0 | 12.1 | 2.4 | 1.2 | 1.2 | 10.3 | 4.3 | 1.2 | 1.2 | 1.2 | 13.3 | 1.2 | 1.2 | 1.2 | 10.3 | 4.3 | 66.9 |
| [9] | Payroll, Taxes, and Benefits | 44.0 | 27.8 | 65.2 | 31.1 | 59.7 | 31.4 | 72.8 | 39.3 | 62.7 | 33.2 | 42.1 | 31.2 | 39.3 | 27.2 | 26.6 | 43.0 | 29.5 | 37.6 | 743.8 |
| [10] | Other SG&A Disbursements | 15.9 | 52.9 | 46.1 | 95.7 | 79.1 | 89.7 | 101.6 | 89.6 | 57.8 | 77.6 | 65.1 | 61.5 | 65.3 | 57.0 | 67.3 | 56.6 | 70.2 | 59.6 | 1,208.7 |
| [11] | GOB Rent | 0.0 | 0.0 | 0.0 | 19.7 | 2.2 | 0.0 | 0.0 | 16.5 | 5.5 | 0.0 | 0.0 | 0.0 | 17.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 61.0 |
| [11] | GOB Add'l Expenses | 0.0 | 0.0 | 0.0 | 6.8 | 6.8 | 17.7 | 18.1 | 18.2 | 18.4 | 18.4 | 18.3 | 18.1 | 17.7 | 11.0 | 10.7 | 10.5 | 0.0 | 0.0 | 190.8 |
| [11] | GOB Liquidator Fees | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 |
| [11] | Less: GOB Store Level Expenses Add-Back | 0.0 | 0.0 | 0.0 | (5.5) | (5.5) | (15.8) | (15.8) | (14.0) | (14.0) | (14.0) | (14.0) | (14.0) | (11.9) | (11.9) | (11.9) | (11.9) | (12.0) | (12.0) | (184.1) |
| | **Total Operating Disbursements** | **$80.9** | **$151.7** | **$163.3** | **$239.7** | **$218.1** | **$203.5** | **$241.4** | **$219.7** | **$197.6** | **$173.6** | **$147.3** | **$133.7** | **$181.6** | **$123.3** | **$131.5** | **$137.8** | **$139.4** | **$131.3** | **$3,015.4** |
| [12] | Less: CapEx | 0.0 | 0.0 | 0.0 | 1.7 | 1.2 | 1.1 | 1.1 | 1.1 | 1.4 | 1.0 | 0.9 | 1.1 | 1.1 | 0.9 | 1.2 | 1.1 | 1.1 | 1.1 | 16.8 |
| | **Net Cash Flow** | **$105.4** | **$16.8** | **$33.8** | **($72.2)** | **($31.7)** | **$3.2** | **$45.5** | **$6.9** | **$39.5** | **$55.9** | **$92.4** | **$125.5** | **$13.7** | **$33.7** | **$5.6** | **($14.2)** | **($48.1)** | **($40.6)** | **$371.0** |
| | **NON-OPERATING CASH FLOW** | | | | | | | | | | | | | | | | | | | |
| [13] | Utility Deposits | $0.0 | $0.0 | $0.0 | $0.0 | $9.2 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $9.2 |
| [14] | Less: Professional Fees | 0.0 | 0.0 | 0.0 | 0.0 | 2.0 | 0.0 | 0.0 | 0.0 | 17.4 | 0.0 | 0.0 | 0.0 | 0.0 | 15.9 | 0.0 | 0.0 | 0.0 | 23.5 | 58.8 |
| [15] | Critical Vendor Payments | 0.0 | 9.1 | 0.0 | 15.0 | 15.0 | 15.0 | 15.0 | 11.0 | 9.0 | 8.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 98.0 |
| [16] | Insurance Payments | 0.0 | 0.0 | 0.0 | 0.0 | 4.3 | 4.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 8.6 |
| [17] | Gift Card Redemptions | 0.0 | 0.0 | 0.0 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 10.9 |
| [18] | KEIP / KERP | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 12.6 |
| [19] | Credit Card Holdbacks | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| [20] | PTO | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4.2 | 0.0 | 0.0 | 0.0 | 3.3 | 0.0 | 0.0 | 7.5 |
| [21] | Post-Petition TSA/CSA | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | **Chapter 11 Related** | **$0.0** | **$9.1** | **$0.0** | **$16.2** | **$31.8** | **$26.8** | **$16.2** | **$12.2** | **$27.6** | **$10.1** | **$1.2** | **$5.4** | **$6.3** | **$15.9** | **$0.0** | **$3.3** | **$0.0** | **$23.5** | **$205.6** |
| [22] | Less: Cash Interest | $0.9 | $1.1 | $1.1 | $4.1 | $4.1 | $3.9 | $3.6 | $3.7 | $4.1 | $4.4 | $4.3 | $4.4 | $4.3 | $4.4 | $4.4 | $4.3 | $4.3 | $4.4 | $65.7 |
| [23] | Less: Financing Fees | 10.3 | 0.0 | 0.0 | 0.0 | 8.8 | 0.0 | 0.0 | 0.0 | 0.0 | 7.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 26.1 |
| | **Total Other Non-Operating Disbursements** | **$11.2** | **$1.1** | **$1.1** | **$4.1** | **$12.9** | **$3.9** | **$3.6** | **$3.7** | **$4.1** | **$11.4** | **$4.3** | **$4.4** | **$4.3** | **$4.4** | **$4.4** | **$4.3** | **$4.3** | **$4.4** | **$91.8** |
| [24] | Unencumbered Assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 | 53.4 |
| [25] | Excess Proceeds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | **Total Asset Sales** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$8.9** | **$8.9** | **$8.9** | **$8.9** | **$8.9** | **$8.9** | **$53.4** |
| [26] | **Net Cash Flow Before ABL Paydown, ex TL** | **$94.2** | **$6.6** | **$32.7** | **($92.5)** | **($76.3)** | **($27.5)** | **$25.7** | **($9.0)** | **$7.8** | **$34.4** | **$86.8** | **$115.7** | **$12.0** | **$22.3** | **$10.1** | **($13.0)** | **($43.5)** | **($59.6)** | **$127.0** |
| [27] | Term Loan Draw | $111.9 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $111.9 |
| [28] | **Net Cash Flow Before ABL Paydown, w/TL** | **$206.1** | **$6.6** | **$32.7** | **($92.5)** | **($76.3)** | **($27.5)** | **$25.7** | **($9.0)** | **$7.8** | **$34.4** | **$86.8** | **$115.7** | **$12.0** | **$22.3** | **$10.1** | **($13.0)** | **($43.5)** | **($59.6)** | **$238.9** |
| [29] | Other Financing | $0.0 | $0.0 | $0.0 | $0.0 | ($161.5) | $27.5 | ($25.7) | $9.0 | ($7.8) | ($34.4) | ($86.8) | ($115.7) | ($12.0) | ($22.3) | ($10.1) | $13.0 | $43.5 | $59.6 | ($323.9) |
| | **Net Cash Flow** | **$206.1** | **$6.6** | **$32.7** | **($92.5)** | **($237.8)** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **($85.0)** |
| [30] | Available Cash | 296.5 | 297.7 | 330.4 | 237.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| [31] | Net Availability | 155.5 | 115.0 | 66.5 | 80.9 | 178.4 | 107.5 | 164.7 | 225.5 | 179.1 | 155.8 | 226.1 | 241.1 | 118.3 | 110.6 | 75.0 | 23.8 | (8.2) | (53.8) | (53.8) |
| [32] | **Memo: Total Liquidity (Availability + Cash)** | **$452.0** | **$412.7** | **$396.9** | **$318.7** | **$178.4** | **$107.5** | **$164.7** | **$225.5** | **$179.1** | **$155.8** | **$226.1** | **$241.1** | **$118.3** | **$110.6** | **$75.0** | **$23.8** | **($8.2)** | **($53.8)** | **($53.8)** |
| | Memo: Wind-down Reserve Balance | | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $8.9 | $17.8 | $26.7 | $35.6 | $44.5 | $53.4 | $53.4 |
| | Memo: Merchandise COGS | | 74.1 | 64.3 | 67.0 | 79.0 | 44.7 | 88.0 | 44.7 | 55.9 | 55.6 | 69.0 | 92.8 | 50.0 | 42.1 | 35.8 | 34.4 | 31.9 | 31.8 | 961.2 |
| | Memo: GOB COGS | | 0.0 | 26.5 | 30.7 | 31.5 | 77.3 | 86.3 | 87.8 | 92.2 | 93.2 | 95.4 | 85.1 | 77.5 | 50.8 | 42.9 | 39.7 | 0.0 | 0.0 | 916.7 |
| | Memo: Borrowing Base | 1,798.5 | 1,757.9 | 1,709.4 | 1,723.8 | 1,659.8 | 1,616.3 | 1,497.8 | 1,417.7 | 1,363.5 | 1,305.8 | 1,239.3 | 1,138.6 | 1,011.3 | 984.4 | 942.1 | 906.4 | 915.3 | 928.9 | |
| | Memo: Sr. DIP & 1L Borrowings | 1,642.9 | 1,642.9 | 1,642.9 | 1,642.9 | 1,481.4 | 1,508.9 | 1,333.2 | 1,192.2 | 1,184.4 | 1,150.0 | 1,013.2 | 897.5 | 885.4 | 863.1 | 853.0 | 866.0 | 909.5 | 969.0 | |
| | Memo: Jr DIP Borrowings | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 150.0 | 300.0 | 300.0 | 300.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | |

1. Includes other cash receipts and SHS inflows due to one-week lag in allocation actualization process

# Appendix– Additional GOB Models

# Supplemental Scenarios

- We have run an additional set of supplemental scenarios identical to the scenarios previously outlined (300 stores, 359 stores, 410 stores, 505 stores) but with the assumption that all remaining stores in each scenario begin GOB sales on December 29, 2018
- These scenarios assume a push of approximately $1.5M of distribution center inventory into each location during the GOB process with a resulting 89% NOLV recovery
- These scenarios differ slightly from the wind down budget which contemplates a full liquidation –
  - These scenarios are purely illustrative to assess relative near-term liquidity requirements
- These scenarios illustrate the fact that in full liquidation scenarios DIP financing requirements are significantly lower than in go forward scenarios
  - However, these scenarios do not address creditor recoveries based on asset dispositions which could be significantly higher with a going concern store footprint

*($ in millions)*

| | Total Liquidity (Net Availability + Available Cash) | | |
|---|---|---|---|
| Scenario | December 15, 2018 | December 29, 2018 | February 16, 2019 |
| **505 Store, 12/29 GOB Scenario** | $55.5 | $67.6 | $388.9 |
| **410 Store, 12/29 GOB Scenario** | 86.8 | 108.0 | 322.6 |
| **359 Store, 12/29 GOB Scenario** | 111.0 | 137.2 | 312.6 |
| **300 Store, 12/29 GOB Scenario** | 148.3 | 179.2 | 314.8 |

# 505 stores GOB on 12/29

**Project Blue - Cash Flow Forecast, Go-Forward Same-Store Sales of (15.0%) with 505 Go-Forward Stores, then GOB all stores 12/29**

| | Month | October | | | November | | | | December | | | | | January | | | | February | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Week | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | Weeks |
| | Retail Week EoP | 10/20/18 | 10/27/18 | 11/3/18 | 11/10/18 | 11/17/18 | 11/24/18 | 12/1/18 | 12/8/18 | 12/15/18 | 12/22/18 | 12/29/18 | 1/5/19 | 1/12/19 | 1/19/19 | 1/26/19 | 2/2/19 | 2/9/19 | 2/16/19 | |
| | Unique Week | 201837 | 201838 | 201839 | 201840 | 201841 | 201842 | 201843 | 201844 | 201845 | 201846 | 201847 | 201848 | 201849 | 201850 | 201851 | 201852 | 201901 | 201902 | 1-18 |
| | **CASH RECEIPTS** | | | | | | | | | | | | | | | | | | | |
| [1] | Normal Course Net Merchandise Receipts | $133.1 | $111.6 | $151.0 | $94.4 | $111.2 | $201.4 | $105.5 | $96.4 | $120.2 | $117.2 | $148.7 | $197.8 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $1,588.6 |
| [2] | Plus: GOB Sales Receipts | 0.0 | 0.0 | 0.0 | 52.5 | 50.3 | 65.5 | 63.7 | 64.8 | 56.7 | 51.5 | 41.8 | 196.4 | 231.3 | 204.4 | 221.9 | 203.1 | 200.3 | 168.5 | 1,872.6 |
| [3] | Plus: PA Sales | 2.5 | 11.1 | 4.9 | 2.3 | 6.0 | 6.1 | 9.3 | 7.7 | 6.4 | 6.7 | 6.2 | 6.3 | 6.8 | 7.1 | 6.7 | 6.4 | 6.6 | 6.2 | 115.1 |
| [4] | Plus: Other Cash Receipts | 50.7 | 45.8 | 41.1 | 20.0 | 20.0 | 20.0 | 20.0 | 24.5 | 24.5 | 24.5 | 24.5 | 24.5 | 40.9 | 40.9 | 40.9 | 40.9 | 40.9 | 40.9 | 585.5 |
| [5] | Plus: Non-Operating Receipts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.7 | 0.0 | 0.0 | 0.0 | 0.0 | 1.8 | 0.0 | 0.0 | 0.0 | 2.3 | 0.0 | 0.0 | 6.8 |
| [6] | Plus: TSA & CSA Receipts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | **Total Cash Receipts** | **$186.3** | **$168.5** | **$197.0** | **$169.2** | **$187.6** | **$292.9** | **$201.3** | **$193.4** | **$207.8** | **$199.8** | **$221.2** | **$426.7** | **$279.0** | **$252.4** | **$269.4** | **$252.7** | **$247.8** | **$215.6** | **$4,168.6** |
| | **OPERATING DISBURSEMENTS** | | | | | | | | | | | | | | | | | | | |
| [7] | Merchandise Vendors | $21.0 | $71.1 | $52.0 | $91.3 | $105.8 | $114.5 | $86.4 | $81.2 | $94.8 | $56.3 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $774.4 |
| [8] | Occupancy | 0.0 | 0.0 | 0.0 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 18.6 |
| [9] | Payroll, Taxes, and Benefits | 44.0 | 27.8 | 65.2 | 31.1 | 59.7 | 31.4 | 72.8 | 39.3 | 62.7 | 33.2 | 42.1 | 31.2 | 39.3 | 27.2 | 26.6 | 43.0 | 29.5 | 37.6 | 743.8 |
| [10] | Other SG&A Disbursements | 15.9 | 52.9 | 46.1 | 95.7 | 79.1 | 89.7 | 101.6 | 89.6 | 57.8 | 77.6 | 65.1 | 61.5 | 65.3 | 57.0 | 67.3 | 56.6 | 70.2 | 59.6 | 1,208.7 |
| [11] | GOB Rent | 0.0 | 0.0 | 0.0 | 30.6 | 3.4 | 0.0 | 0.0 | 25.5 | 8.5 | 0.0 | 0.0 | 0.0 | 29.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 97.2 |
| [11] | GOB Addt'l Expenses | 0.0 | 0.0 | 0.0 | 6.8 | 6.8 | 8.6 | 8.8 | 8.8 | 8.8 | 8.7 | 8.6 | 31.8 | 32.0 | 25.6 | 25.8 | 26.0 | 24.4 | 24.3 | 255.8 |
| [11] | GOB Liquidator Fees | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 |
| [11] | Less: GOB Store Level Expenses Add-Back | 0.0 | 0.0 | 0.0 | (5.5) | (5.5) | (7.0) | (7.0) | (6.2) | (6.2) | (6.2) | (6.2) | (22.6) | (21.6) | (21.6) | (21.6) | (21.6) | (21.7) | (21.7) | (202.3) |
| | **Total Operating Disbursements** | **$80.9** | **$151.7** | **$163.3** | **$251.3** | **$250.5** | **$238.6** | **$263.9** | **$239.6** | **$227.7** | **$170.9** | **$110.9** | **$103.4** | **$145.4** | **$89.4** | **$99.4** | **$105.2** | **$103.7** | **$101.1** | **$2,896.7** |
| [12] | Less: CapEx | 0.0 | 0.0 | 0.0 | 1.7 | 1.2 | 1.1 | 1.1 | 1.1 | 1.4 | 1.0 | 0.9 | 1.1 | 1.1 | 0.9 | 1.2 | 1.1 | 1.1 | 1.1 | 16.8 |
| | **Net Cash Flow** | **$105.4** | **$16.8** | **$33.8** | **($83.8)** | **($64.1)** | **$53.3** | **($63.7)** | **($47.3)** | **($21.2)** | **$27.9** | **$109.4** | **$322.3** | **$132.5** | **$162.2** | **$168.9** | **$146.5** | **$142.9** | **$113.4** | **$1,255.2** |
| | **NON-OPERATING CASH FLOW** | | | | | | | | | | | | | | | | | | | |
| [13] | Utility Deposits | $0.0 | $0.0 | $0.0 | $0.0 | $9.2 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $9.2 |
| [14] | Less: Professional Fees | 0.0 | 0.0 | 0.0 | 0.0 | 2.0 | 0.0 | 0.0 | 0.0 | 17.4 | 0.0 | 0.0 | 0.0 | 0.0 | 15.9 | 0.0 | 0.0 | 0.0 | 23.5 | 58.8 |
| [15] | Critical Vendor Payments | 0.0 | 9.1 | 0.0 | 15.0 | 15.0 | 15.0 | 15.0 | 11.0 | 9.0 | 8.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 98.0 |
| [16] | Insurance Payments | 0.0 | 0.0 | 0.0 | 0.0 | 4.3 | 4.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 8.6 |
| [17] | Gift Card Redemptions | 0.0 | 0.0 | 0.0 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 10.9 |
| [18] | KEIP / KERP | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 12.6 |
| [19] | Credit Card Holdbacks | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| [20] | PTO | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4.2 | 0.0 | 0.0 | 0.0 | 3.3 | 0.0 | 0.0 | 7.5 |
| [21] | Post-Petition TSA/CSA | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | **Chapter 11 Related** | **$0.0** | **$9.1** | **$0.0** | **$16.2** | **$31.8** | **$26.8** | **$16.2** | **$12.2** | **$27.6** | **$10.1** | **$1.2** | **$5.4** | **$6.3** | **$15.9** | **$0.0** | **$3.3** | **$0.0** | **$23.5** | **$205.6** |
| [22] | Less: Cash Interest | $0.9 | $1.1 | $1.1 | $4.1 | $4.1 | $3.9 | $3.6 | $3.8 | $4.2 | $4.7 | $4.9 | $4.8 | $4.5 | $4.3 | $4.1 | $3.9 | $3.6 | $3.3 | $65.0 |
| [23] | Less: Financing Fees | 10.3 | 0.0 | 0.0 | 0.0 | 8.8 | 0.0 | 0.0 | 0.0 | 0.0 | 7.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 26.1 |
| | **Total Other Non-Operating Disbursements** | **$11.2** | **$1.1** | **$1.1** | **$4.1** | **$12.9** | **$3.9** | **$3.6** | **$3.8** | **$4.2** | **$11.7** | **$4.9** | **$4.8** | **$4.5** | **$4.3** | **$4.1** | **$3.9** | **$3.6** | **$3.3** | **$91.1** |
| [24] | Unencumbered Assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 | 53.4 |
| [25] | Excess Proceeds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | **Total Asset Sales** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$8.9** | **$8.9** | **$8.9** | **$8.9** | **$8.9** | **$8.9** | **$53.4** |
| [26] | **Net Cash Flow Before ABL Paydown, ex TL** | **$94.2** | **$6.6** | **$32.7** | **($104.2)** | **($108.7)** | **$22.6** | **($83.5)** | **($63.2)** | **($53.1)** | **$6.0** | **$103.4** | **$312.1** | **$130.7** | **$150.9** | **$173.6** | **$148.2** | **$148.2** | **$95.4** | **$1,011.9** |
| [27] | Term Loan Draw | $111.9 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $111.9 |
| [28] | **Net Cash Flow Before ABL Paydown, w/TL** | **$206.1** | **$6.6** | **$32.7** | **($104.2)** | **($108.7)** | **$22.6** | **($83.5)** | **($63.2)** | **($53.1)** | **$6.0** | **$103.4** | **$312.1** | **$130.7** | **$150.9** | **$173.6** | **$148.2** | **$148.2** | **$95.4** | **$1,123.8** |
| [29] | Other Financing | $0.0 | $0.0 | $0.0 | $0.0 | ($117.4) | ($22.6) | $83.5 | $63.2 | $53.1 | ($6.0) | ($103.4) | ($312.1) | ($130.7) | ($150.9) | ($173.6) | ($148.2) | ($148.2) | ($95.4) | ($1,208.8) |
| | **Net Cash Flow** | **$206.1** | **$6.6** | **$32.7** | **($104.2)** | **($226.2)** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **($85.0)** |
| [30] | Available Cash | 296.5 | 297.7 | 330.4 | 226.2 | (0.0) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| [31] | Net Availability | 155.5 | 115.0 | 66.5 | 83.0 | 127.4 | 137.4 | 59.7 | 89.6 | 55.5 | 30.2 | 67.6 | 189.0 | 147.0 | 217.7 | 280.7 | 318.8 | 373.2 | 388.9 | 388.9 |
| [32] | **Memo: Total Liquidity (Availability + Cash)** | **$452.0** | **$412.7** | **$396.9** | **$309.2** | **$127.4** | **$137.4** | **$59.7** | **$89.6** | **$55.5** | **$30.2** | **$67.6** | **$189.0** | **$147.0** | **$217.7** | **$280.7** | **$318.8** | **$373.2** | **$388.9** | **$388.9** |
| | Memo: Wind-down Reserve Balance | | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $8.9 | $17.8 | $26.7 | $35.6 | $44.5 | $53.4 | $53.4 |
| | Memo: Merchandise COGS | | 74.1 | 64.3 | 67.0 | 79.0 | 68.4 | 143.0 | 68.4 | 85.4 | 83.2 | 105.6 | 140.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 978.9 |
| | Memo: GOB COGS | | 0.0 | 26.5 | 30.7 | 31.5 | 41.8 | 45.2 | 46.6 | 45.4 | 43.1 | 40.5 | 139.1 | 152.2 | 134.2 | 146.2 | 154.2 | 154.0 | 141.4 | 1,372.7 |
| | Memo: Borrowing Base | 1,798.5 | 1,757.9 | 1,709.4 | 1,725.9 | 1,652.9 | 1,640.3 | 1,496.1 | 1,439.2 | 1,408.1 | 1,376.8 | 1,310.9 | 1,120.1 | 960.8 | 888.9 | 788.4 | 688.2 | 602.5 | 532.1 | |
| | Memo: Sr. DIP & 1L Borrowings | 1,642.9 | 1,642.9 | 1,642.9 | 1,642.9 | 1,525.5 | 1,502.9 | 1,436.4 | 1,349.6 | 1,352.7 | 1,346.6 | 1,243.3 | 931.2 | 800.5 | 649.6 | 476.0 | 327.8 | 179.5 | 84.1 | |
| | Memo: Jr DIP Borrowings | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 150.0 | 300.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | |

# 410 stores GOB 12/29

**Project Blue - Cash Flow Forecast, Go-Forward Same-Store Sales of (15.0%) with 410 Go-Forward Stores, then GOB all stores 12/29**

| | Month | October | | | November | | | | December | | | | | January | | | | February | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Week | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | Weeks |
| | Retail Week EoP | 10/20/18 | 10/27/18 | 11/3/18 | 11/10/18 | 11/17/18 | 11/24/18 | 12/1/18 | 12/8/18 | 12/15/18 | 12/22/18 | 12/29/18 | 1/5/19 | 1/12/19 | 1/19/19 | 1/26/19 | 2/2/19 | 2/9/19 | 2/16/19 | |
| | Unique Week | 201837 | 201838 | 201839 | 201840 | 201841 | 201842 | 201843 | 201844 | 201845 | 201846 | 201847 | 201848 | 201849 | 201850 | 201851 | 201852 | 201901 | 201902 | 1-18 |
| | **CASH RECEIPTS** | | | | | | | | | | | | | | | | | | | |
| [1] | Normal Course Net Merchandise Receipts | $133.1 | $111.6 | $151.0 | $94.4 | $111.2 | $167.7 | $88.8 | $81.9 | $102.2 | $100.1 | $125.6 | $168.2 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $1,435.9 |
| [2] | Plus: GOB Sales Receipts | 0.0 | 0.0 | 0.0 | 52.5 | 50.3 | 90.3 | 95.3 | 96.4 | 90.0 | 83.9 | 74.5 | 227.0 | 257.2 | 226.6 | 239.7 | 215.1 | 201.2 | 169.1 | 2,169.0 |
| [3] | Plus: PA Sales | 2.5 | 11.1 | 4.9 | 2.3 | 6.0 | 6.1 | 9.3 | 7.7 | 6.4 | 6.7 | 6.2 | 6.3 | 6.8 | 7.1 | 6.7 | 6.4 | 6.6 | 6.2 | 115.1 |
| [4] | Plus: Other Cash Receipts | 50.7 | 45.8 | 41.1 | 20.0 | 20.0 | 20.0 | 20.0 | 24.5 | 24.5 | 24.5 | 24.5 | 24.5 | 40.9 | 40.9 | 40.9 | 40.9 | 40.9 | 40.9 | 585.5 |
| [5] | Plus: Non-Operating Receipts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.7 | 0.0 | 0.0 | 0.0 | 0.0 | 1.8 | 0.0 | 0.0 | 0.0 | 2.3 | 0.0 | 0.0 | 6.8 |
| [6] | Plus: TSA & CSA Receipts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | **Total Cash Receipts** | **$186.3** | **$168.5** | **$197.0** | **$169.2** | **$187.6** | **$284.1** | **$216.2** | **$210.4** | **$223.1** | **$215.1** | **$230.8** | **$427.7** | **$305.0** | **$274.6** | **$287.3** | **$264.7** | **$248.7** | **$216.2** | **$4,312.4** |
| | **OPERATING DISBURSEMENTS** | | | | | | | | | | | | | | | | | | | |
| [7] | Merchandise Vendors | $21.0 | $71.1 | $52.0 | $86.1 | $91.5 | $98.8 | $76.5 | $71.9 | $80.7 | $48.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $697.6 |
| [8] | Occupancy | 0.0 | 0.0 | 0.0 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 18.6 |
| [9] | Payroll, Taxes, and Benefits | 44.0 | 27.8 | 65.2 | 31.1 | 59.7 | 31.4 | 72.8 | 39.3 | 62.7 | 33.2 | 42.1 | 31.2 | 39.3 | 27.2 | 26.6 | 43.0 | 29.5 | 37.6 | 743.8 |
| [10] | Other SG&A Disbursements | 15.9 | 52.9 | 46.1 | 95.7 | 79.1 | 89.7 | 101.6 | 89.6 | 57.8 | 77.6 | 65.1 | 61.5 | 65.3 | 57.0 | 67.3 | 56.6 | 70.2 | 59.6 | 1,208.7 |
| [11] | GOB Rent | 0.0 | 0.0 | 0.0 | 30.6 | 3.4 | 0.0 | 0.0 | 25.5 | 8.5 | 0.0 | 0.0 | 0.0 | 29.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 97.2 |
| [11] | GOB Addt'l Expenses | 0.0 | 0.0 | 0.0 | 6.8 | 6.8 | 12.9 | 13.1 | 13.2 | 13.3 | 13.2 | 13.1 | 36.4 | 36.5 | 29.9 | 30.1 | 30.1 | 24.4 | 24.3 | 304.0 |
| [11] | GOB Liquidator Fees | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 |
| [11] | Less: GOB Store Level Expenses Add-Back | 0.0 | 0.0 | 0.0 | (5.5) | (5.5) | (10.6) | (10.6) | (9.4) | (9.4) | (9.4) | (9.4) | (26.1) | (24.6) | (24.6) | (24.6) | (24.6) | (24.8) | (24.8) | (244.2) |
| | **Total Operating Disbursements** | **$80.9** | **$151.7** | **$163.3** | **$246.2** | **$236.1** | **$223.5** | **$254.6** | **$231.4** | **$214.8** | **$163.9** | **$112.2** | **$104.4** | **$146.9** | **$90.7** | **$100.6** | **$106.3** | **$100.6** | **$98.0** | **$2,826.2** |
| [12] | Less: CapEx | 0.0 | 0.0 | 0.0 | 1.7 | 1.2 | 1.1 | 1.1 | 1.1 | 1.4 | 1.0 | 0.9 | 1.1 | 1.1 | 0.9 | 1.2 | 1.1 | 1.1 | 1.1 | 16.8 |
| | **Net Cash Flow** | **$105.4** | **$16.8** | **$33.8** | **($78.7)** | **($49.7)** | **$59.6** | **($39.5)** | **($22.0)** | **$6.9** | **$50.2** | **$117.8** | **$322.2** | **$157.0** | **$183.0** | **$185.5** | **$157.3** | **$147.0** | **$117.1** | **$1,469.5** |
| | **NON-OPERATING CASH FLOW** | | | | | | | | | | | | | | | | | | | |
| [13] | Utility Deposits | $0.0 | $0.0 | $0.0 | $0.0 | $9.2 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $9.2 |
| [14] | Less: Professional Fees | 0.0 | 0.0 | 0.0 | 0.0 | 2.0 | 0.0 | 0.0 | 0.0 | 17.4 | 0.0 | 0.0 | 0.0 | 0.0 | 15.9 | 0.0 | 0.0 | 0.0 | 23.5 | 58.8 |
| [15] | Critical Vendor Payments | 0.0 | 9.1 | 0.0 | 15.0 | 15.0 | 15.0 | 15.0 | 11.0 | 9.0 | 8.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 98.0 |
| [16] | Insurance Payments | 0.0 | 0.0 | 0.0 | 0.0 | 4.3 | 4.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 8.6 |
| [17] | Gift Card Redemptions | 0.0 | 0.0 | 0.0 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 10.9 |
| [18] | KEIP / KERP | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 12.6 |
| [19] | Credit Card Holdbacks | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| [20] | PTO | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4.2 | 0.0 | 0.0 | 0.0 | 3.3 | 0.0 | 0.0 | 7.5 |
| [21] | Post-Petition TSA/CSA | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | **Chapter 11 Related** | **$0.0** | **$9.1** | **$0.0** | **$16.2** | **$31.8** | **$26.8** | **$16.2** | **$12.2** | **$27.6** | **$10.1** | **$1.2** | **$5.4** | **$6.3** | **$15.9** | **$0.0** | **$3.3** | **$0.0** | **$23.5** | **$205.6** |
| [22] | Less: Cash Interest | $0.9 | $1.1 | $1.1 | $4.1 | $4.1 | $3.9 | $3.6 | $3.7 | $4.2 | $4.6 | $4.7 | $4.6 | $4.3 | $4.1 | $3.9 | $3.5 | $3.2 | $2.9 | $62.6 |
| [23] | Less: Financing Fees | 10.3 | 0.0 | 0.0 | 0.0 | 8.8 | 0.0 | 0.0 | 0.0 | 0.0 | 7.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 26.1 |
| | **Total Other Non-Operating Disbursements** | **$11.2** | **$1.1** | **$1.1** | **$4.1** | **$12.9** | **$3.9** | **$3.6** | **$3.7** | **$4.2** | **$11.6** | **$4.7** | **$4.6** | **$4.3** | **$4.1** | **$3.9** | **$3.5** | **$3.2** | **$2.9** | **$88.7** |
| [24] | Unencumbered Assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 | 53.4 |
| [25] | Excess Proceeds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | **Total Asset Sales** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$8.9** | **$8.9** | **$8.9** | **$8.9** | **$8.9** | **$8.9** | **$53.4** |
| [26] | **Net Cash Flow Before ABL Paydown, ex TL** | **$94.2** | **$6.6** | **$32.7** | **($99.0)** | **($94.4)** | **$28.9** | **($59.3)** | **($38.0)** | **($24.8)** | **$28.5** | **$111.9** | **$312.2** | **$155.3** | **$171.9** | **$190.5** | **$159.3** | **$152.7** | **$99.5** | **$1,228.6** |
| [27] | Term Loan Draw | $111.9 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $111.9 |
| [28] | **Net Cash Flow Before ABL Paydown, w/TL** | **$206.1** | **$6.6** | **$32.7** | **($99.0)** | **($94.4)** | **$28.9** | **($59.3)** | **($38.0)** | **($24.8)** | **$28.5** | **$111.9** | **$312.2** | **$155.3** | **$171.9** | **$190.5** | **$159.3** | **$152.7** | **$99.5** | **$1,340.5** |
| [29] | Other Financing | $0.0 | $0.0 | $0.0 | $0.0 | ($136.9) | ($28.9) | $59.3 | $38.0 | $24.8 | ($28.5) | ($111.9) | ($312.2) | ($155.3) | ($171.9) | ($190.5) | ($159.3) | ($152.7) | ($99.5) | ($1,425.5) |
| | **Net Cash Flow** | **$206.1** | **$6.6** | **$32.7** | **($99.0)** | **($231.3)** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **($85.0)** |
| [30] | Available Cash | 296.5 | 297.7 | 330.4 | 231.3 | (0.0) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| [31] | Net Availability | 155.5 | 115.0 | 66.5 | 82.1 | 130.0 | 131.8 | 59.0 | 103.7 | 86.8 | 70.1 | 108.0 | 223.0 | 193.7 | 271.6 | 341.0 | 380.0 | 402.5 | 322.6 | 322.6 |
| [32] | **Memo: Total Liquidity (Availability + Cash)** | **$452.0** | **$412.7** | **$396.9** | **$313.4** | **$130.0** | **$131.8** | **$59.0** | **$103.7** | **$86.8** | **$70.1** | **$108.0** | **$223.0** | **$193.7** | **$271.6** | **$341.0** | **$380.0** | **$402.5** | **$322.6** | **$322.6** |
| | Memo: Wind-down Reserve Balance | | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $8.9 | $17.8 | $26.7 | $35.6 | $44.5 | $53.4 | $53.4 |
| | Memo: Merchandise COGS | | 74.1 | 64.3 | 67.0 | 79.0 | 58.2 | 119.1 | 58.2 | 72.6 | 71.1 | 89.2 | 119.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 872.1 |
| | Memo: GOB COGS | | 0.0 | 26.5 | 30.7 | 31.5 | 58.3 | 64.4 | 65.8 | 67.2 | 66.4 | 66.0 | 163.5 | 174.8 | 156.2 | 164.9 | 171.6 | 155.0 | 142.5 | 1,605.5 |
| | Memo: Borrowing Base | 1,798.5 | 1,757.9 | 1,709.4 | 1,725.0 | 1,636.0 | 1,608.9 | 1,445.4 | 1,378.1 | 1,336.1 | 1,290.8 | 1,216.8 | 1,027.1 | 859.9 | 775.7 | 665.6 | 556.3 | 467.7 | 397.1 | |
| | Memo: Sr. DIP & 1L Borrowings | 1,642.9 | 1,642.9 | 1,642.9 | 1,642.9 | 1,506.0 | 1,477.1 | 1,386.4 | 1,274.4 | 1,249.2 | 1,220.7 | 1,108.9 | 796.6 | 641.3 | 469.4 | 278.9 | 119.6 | 0.0 | 0.0 | |
| | Memo: Jr DIP Borrowings | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 150.0 | 300.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | |

# 359 stores GOB 12/29

**Project Blue - Cash Flow Forecast, Go-Forward Same-Store Sales of (15.0%) with 359 Go-Forward Stores, then GOB all stores 12/29**

| | Month | October | | | November | | | | December | | | | | January | | | | February | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Week | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | Weeks |
| | Retail Week EoP | 10/20/18 | 10/27/18 | 11/3/18 | 11/10/18 | 11/17/18 | 11/24/18 | 12/1/18 | 12/8/18 | 12/15/18 | 12/22/18 | 12/29/18 | 1/5/19 | 1/12/19 | 1/19/19 | 1/26/19 | 2/2/19 | 2/9/19 | 2/16/19 | |
| | Unique Week | 201837 | 201838 | 201839 | 201840 | 201841 | 201842 | 201843 | 201844 | 201845 | 201846 | 201847 | 201848 | 201849 | 201850 | 201851 | 201852 | 201901 | 201902 | 1-18 |
| | **CASH RECEIPTS** | | | | | | | | | | | | | | | | | | | |
| [1] | Normal Course Net Merchandise Receipts | $133.1 | $111.6 | $151.0 | $94.4 | $111.2 | $148.0 | $79.8 | $73.9 | $92.2 | $91.5 | $113.8 | $153.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $1,353.6 |
| [2] | Plus: GOB Sales Receipts | 0.0 | 0.0 | 0.0 | 52.5 | 50.3 | 102.6 | 111.3 | 112.2 | 106.9 | 100.4 | 91.5 | 228.1 | 252.2 | 220.0 | 229.8 | 202.6 | 183.1 | 153.2 | 2,196.7 |
| [3] | Plus: PA Sales | 2.5 | 11.1 | 4.9 | 2.3 | 6.0 | 6.1 | 9.3 | 7.7 | 6.4 | 6.7 | 6.2 | 6.3 | 6.8 | 7.1 | 6.7 | 6.4 | 6.6 | 6.2 | 115.1 |
| [4] | Plus: Other Cash Receipts | 50.7 | 45.8 | 41.1 | 20.0 | 20.0 | 20.0 | 20.0 | 24.5 | 24.5 | 24.5 | 24.5 | 24.5 | 40.9 | 40.9 | 40.9 | 40.9 | 40.9 | 40.9 | 585.5 |
| [5] | Plus: Non-Operating Receipts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.7 | 0.0 | 0.0 | 0.0 | 0.0 | 1.8 | 0.0 | 0.0 | 0.0 | 2.3 | 0.0 | 0.0 | 6.8 |
| [6] | Plus: TSA & CSA Receipts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | **Total Cash Receipts** | **$186.3** | **$168.5** | **$197.0** | **$169.2** | **$187.6** | **$276.8** | **$223.2** | **$218.3** | **$230.0** | **$223.0** | **$236.0** | **$413.7** | **$300.0** | **$268.0** | **$277.3** | **$252.2** | **$230.6** | **$200.3** | **$4,257.8** |
| | **OPERATING DISBURSEMENTS** | | | | | | | | | | | | | | | | | | | |
| [7] | Merchandise Vendors | $21.0 | $71.1 | $52.0 | $83.5 | $83.8 | $90.4 | $71.3 | $67.1 | $73.7 | $43.9 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $657.7 |
| [8] | Occupancy | 0.0 | 0.0 | 0.0 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 18.6 |
| [9] | Payroll, Taxes, and Benefits | 44.0 | 27.8 | 65.2 | 31.1 | 59.7 | 31.4 | 72.8 | 39.3 | 62.7 | 33.2 | 42.1 | 31.2 | 39.3 | 27.2 | 26.6 | 43.0 | 29.5 | 37.6 | 743.8 |
| [10] | Other SG&A Disbursements | 15.9 | 52.9 | 46.1 | 95.7 | 79.1 | 89.7 | 101.6 | 89.6 | 57.8 | 77.6 | 65.1 | 61.5 | 65.3 | 57.0 | 67.3 | 56.6 | 70.2 | 59.6 | 1,208.7 |
| [11] | GOB Rent | 0.0 | 0.0 | 0.0 | 30.6 | 3.4 | 0.0 | 0.0 | 25.5 | 8.5 | 0.0 | 0.0 | 0.0 | 29.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 97.2 |
| [11] | GOB Addt'l Expenses | 0.0 | 0.0 | 0.0 | 6.8 | 6.8 | 15.0 | 15.4 | 15.4 | 15.5 | 15.5 | 15.4 | 36.7 | 36.7 | 30.2 | 30.2 | 30.3 | 22.4 | 22.3 | 314.7 |
| [11] | GOB Liquidator Fees | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 |
| [11] | Less: GOB Store Level Expenses Add-Back | 0.0 | 0.0 | 0.0 | (5.5) | (5.5) | (12.6) | (12.6) | (11.2) | (11.2) | (11.2) | (11.2) | (26.4) | (24.7) | (24.7) | (24.7) | (24.7) | (24.9) | (24.9) | (256.3) |
| | **Total Operating Disbursements** | **$80.9** | **$151.7** | **$163.3** | **$243.5** | **$228.5** | **$215.2** | **$249.7** | **$227.2** | **$208.3** | **$160.3** | **$112.8** | **$104.4** | **$147.0** | **$90.8** | **$100.7** | **$106.3** | **$98.5** | **$95.8** | **$2,784.9** |
| [12] | Less: CapEx | 0.0 | 0.0 | 0.0 | 1.7 | 1.2 | 1.1 | 1.1 | 1.1 | 1.4 | 1.0 | 0.9 | 1.1 | 1.1 | 0.9 | 1.2 | 1.1 | 1.1 | 1.1 | 16.8 |
| | **Net Cash Flow** | **$105.4** | **$16.8** | **$33.8** | **($76.1)** | **($42.1)** | **$60.4** | **($27.5)** | **($9.9)** | **$20.3** | **$61.6** | **$122.4** | **$308.2** | **$151.9** | **$176.3** | **$175.5** | **$144.8** | **$131.0** | **$103.3** | **$1,456.1** |
| | **NON-OPERATING CASH FLOW** | | | | | | | | | | | | | | | | | | | |
| [13] | Utility Deposits | $0.0 | $0.0 | $0.0 | $0.0 | $9.2 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $9.2 |
| [14] | Less: Professional Fees | 0.0 | 0.0 | 0.0 | 0.0 | 2.0 | 0.0 | 0.0 | 0.0 | 17.4 | 0.0 | 0.0 | 0.0 | 0.0 | 15.9 | 0.0 | 0.0 | 0.0 | 23.5 | 58.8 |
| [15] | Critical Vendor Payments | 0.0 | 9.1 | 0.0 | 15.0 | 15.0 | 15.0 | 15.0 | 11.0 | 9.0 | 8.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 98.0 |
| [16] | Insurance Payments | 0.0 | 0.0 | 0.0 | 0.0 | 4.3 | 4.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 8.6 |
| [17] | Gift Card Redemptions | 0.0 | 0.0 | 0.0 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 10.9 |
| [18] | KEIP / KERP | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 12.6 |
| [19] | Credit Card Holdbacks | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| [20] | PTO | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4.2 | 0.0 | 0.0 | 0.0 | 3.3 | 0.0 | 0.0 | 7.5 |
| [21] | Post-Petition TSA/CSA | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | **Chapter 11 Related** | **$0.0** | **$9.1** | **$0.0** | **$16.2** | **$31.8** | **$26.8** | **$16.2** | **$12.2** | **$27.6** | **$10.1** | **$1.2** | **$5.4** | **$6.3** | **$15.9** | **$0.0** | **$3.3** | **$0.0** | **$23.5** | **$205.6** |
| [22] | Less: Cash Interest | $0.9 | $1.1 | $1.1 | $4.1 | $4.1 | $3.9 | $3.6 | $3.7 | $4.1 | $4.5 | $4.6 | $4.5 | $4.2 | $4.1 | $3.8 | $3.5 | $3.2 | $2.9 | $62.0 |
| [23] | Less: Financing Fees | 10.3 | 0.0 | 0.0 | 0.0 | 8.8 | 0.0 | 0.0 | 0.0 | 0.0 | 7.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 26.1 |
| | **Total Other Non-Operating Disbursements** | **$11.2** | **$1.1** | **$1.1** | **$4.1** | **$12.9** | **$3.9** | **$3.6** | **$3.7** | **$4.1** | **$11.5** | **$4.6** | **$4.5** | **$4.2** | **$4.1** | **$3.8** | **$3.5** | **$3.2** | **$2.9** | **$88.0** |
| [24] | Unencumbered Assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 | 53.4 |
| [25] | Excess Proceeds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | **Total Asset Sales** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$8.9** | **$8.9** | **$8.9** | **$8.9** | **$8.9** | **$8.9** | **$53.4** |
| [26] | **Net Cash Flow Before ABL Paydown, ex TL** | **$94.2** | **$6.6** | **$32.7** | **($96.4)** | **($86.7)** | **$29.8** | **($47.3)** | **($25.8)** | **($11.4)** | **$39.9** | **$116.5** | **$298.3** | **$150.3** | **$165.3** | **$180.6** | **$146.9** | **$136.7** | **$85.7** | **$1,215.9** |
| [27] | Term Loan Draw | $111.9 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $111.9 |
| [28] | **Net Cash Flow Before ABL Paydown, w/TL** | **$206.1** | **$6.6** | **$32.7** | **($96.4)** | **($86.7)** | **$29.8** | **($47.3)** | **($25.8)** | **($11.4)** | **$39.9** | **$116.5** | **$298.3** | **$150.3** | **$165.3** | **$180.6** | **$146.9** | **$136.7** | **$85.7** | **$1,327.8** |
| [29] | Other Financing | $0.0 | $0.0 | $0.0 | $0.0 | ($147.3) | ($29.8) | $47.3 | $25.8 | $11.4 | ($39.9) | ($116.5) | ($298.3) | ($150.3) | ($165.3) | ($180.6) | ($146.9) | ($136.7) | ($85.7) | ($1,412.8) |
| | **Net Cash Flow** | **$206.1** | **$6.6** | **$32.7** | **($96.4)** | **($234.0)** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **($85.0)** |
| [30] | Available Cash | 296.5 | 297.7 | 330.4 | 234.0 | (0.0) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| [31] | Net Availability | 155.5 | 115.0 | 66.5 | 81.6 | 135.6 | 131.1 | 67.6 | 119.4 | 111.0 | 98.8 | 137.2 | 241.1 | 208.2 | 279.5 | 341.1 | 370.7 | 384.5 | 312.6 | 312.6 |
| [32] | **Memo: Total Liquidity (Availability + Cash)** | **$452.0** | **$412.7** | **$396.9** | **$315.6** | **$135.6** | **$131.1** | **$67.6** | **$119.4** | **$111.0** | **$98.8** | **$137.2** | **$241.1** | **$208.2** | **$279.5** | **$341.1** | **$370.7** | **$384.5** | **$312.6** | **$312.6** |
| | Memo: Wind-down Reserve Balance | | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $8.9 | $17.8 | $26.7 | $35.6 | $44.5 | $53.4 | $53.4 |
| | Memo: Merchandise COGS | | 74.1 | 64.3 | 67.0 | 79.0 | 52.5 | 105.1 | 52.5 | 65.5 | 64.9 | 80.8 | 108.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 814.3 |
| | Memo: GOB COGS | | 0.0 | 26.5 | 30.7 | 31.5 | 66.7 | 74.0 | 75.3 | 78.1 | 78.2 | 79.2 | 166.2 | 175.2 | 156.2 | 161.7 | 166.9 | 140.8 | 129.7 | 1,636.8 |
| | Memo: Borrowing Base | 1,798.5 | 1,757.9 | 1,709.4 | 1,724.5 | 1,631.3 | 1,597.0 | 1,430.8 | 1,358.4 | 1,311.4 | 1,259.2 | 1,181.1 | 997.6 | 831.7 | 747.4 | 639.4 | 532.7 | 451.6 | 388.2 | |
| | Memo: Sr. DIP & 1L Borrowings | 1,642.9 | 1,642.9 | 1,642.9 | 1,642.9 | 1,495.7 | 1,465.9 | 1,363.2 | 1,239.0 | 1,200.4 | 1,160.5 | 1,043.9 | 745.6 | 595.4 | 430.1 | 249.5 | 102.6 | 0.0 | 0.0 | |
| | Memo: Jr DIP Borrowings | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 150.0 | 300.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | |

# 300 stores GOB 12/29

**Project Blue - Cash Flow Forecast, Go-Forward Same-Store Sales of (15.0%) with 300 Go-Forward Stores, then GOB all stores 12/29**

| | Month | October | | | November | | | | December | | | | | January | | | | February | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Week | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | Weeks |
| | Retail Week EoP | 10/20/18 | 10/27/18 | 11/3/18 | 11/10/18 | 11/17/18 | 11/24/18 | 12/1/18 | 12/8/18 | 12/15/18 | 12/22/18 | 12/29/18 | 1/5/19 | 1/12/19 | 1/19/19 | 1/26/19 | 2/2/19 | 2/9/19 | 2/16/19 | |
| | Unique Week | 201837 | 201838 | 201839 | 201840 | 201841 | 201842 | 201843 | 201844 | 201845 | 201846 | 201847 | 201848 | 201849 | 201850 | 201851 | 201852 | 201901 | 201902 | 1-18 |
| | **CASH RECEIPTS** | | | | | | | | | | | | | | | | | | | |
| [1] | Normal Course Net Merchandise Receipts | $133.1 | $111.6 | $151.0 | $94.4 | $111.2 | $123.9 | $66.3 | $63.0 | $78.8 | $78.4 | $97.2 | $130.7 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $1,239.6 |
| [2] | Plus: GOB Sales Receipts | 0.0 | 0.0 | 0.0 | 52.5 | 50.3 | 118.7 | 132.0 | 132.5 | 128.8 | 121.0 | 112.6 | 225.2 | 241.0 | 206.3 | 211.9 | 182.5 | 156.0 | 129.7 | 2,201.2 |
| [3] | Plus: PA Sales | 2.5 | 11.1 | 4.9 | 2.3 | 6.0 | 6.1 | 9.3 | 7.7 | 6.4 | 6.7 | 6.2 | 6.3 | 6.8 | 7.1 | 6.7 | 6.4 | 6.6 | 6.2 | 115.1 |
| [4] | Plus: Other Cash Receipts | 50.7 | 45.8 | 41.1 | 20.0 | 20.0 | 20.0 | 20.0 | 24.5 | 24.5 | 24.5 | 24.5 | 24.5 | 40.9 | 40.9 | 40.9 | 40.9 | 40.9 | 40.9 | 585.5 |
| [5] | Plus: Non-Operating Receipts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.7 | 0.0 | 0.0 | 0.0 | 0.0 | 1.8 | 0.0 | 0.0 | 0.0 | 2.3 | 0.0 | 0.0 | 6.8 |
| [6] | Plus: TSA & CSA Receipts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | **Total Cash Receipts** | **$186.3** | **$168.5** | **$197.0** | **$169.2** | **$187.6** | **$268.7** | **$230.3** | **$227.6** | **$238.5** | **$230.5** | **$240.5** | **$388.5** | **$288.8** | **$254.3** | **$259.5** | **$232.1** | **$203.5** | **$176.8** | **$4,148.2** |
| | **OPERATING DISBURSEMENTS** | | | | | | | | | | | | | | | | | | | |
| [7] | Merchandise Vendors | $21.0 | $71.1 | $52.0 | $79.6 | $73.4 | $79.1 | $63.4 | $59.7 | $62.9 | $37.5 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $599.8 |
| [8] | Occupancy | 0.0 | 0.0 | 0.0 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 18.6 |
| [9] | Payroll, Taxes, and Benefits | 44.0 | 27.8 | 65.2 | 31.1 | 59.7 | 31.4 | 72.8 | 39.3 | 62.7 | 33.2 | 42.1 | 31.2 | 39.3 | 27.2 | 26.6 | 43.0 | 29.5 | 37.6 | 743.8 |
| [10] | Other SG&A Disbursements | 15.9 | 52.9 | 46.1 | 95.7 | 79.1 | 89.7 | 101.6 | 89.6 | 57.8 | 77.6 | 65.1 | 61.5 | 65.3 | 57.0 | 67.3 | 56.6 | 70.2 | 59.6 | 1,208.7 |
| [11] | GOB Rent | 0.0 | 0.0 | 0.0 | 30.6 | 3.4 | 0.0 | 0.0 | 25.5 | 8.5 | 0.0 | 0.0 | 0.0 | 29.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 97.2 |
| [11] | GOB Addt'l Expenses | 0.0 | 0.0 | 0.0 | 6.8 | 6.8 | 17.7 | 18.1 | 18.2 | 18.4 | 18.4 | 18.3 | 36.7 | 36.7 | 30.1 | 30.1 | 30.0 | 19.6 | 19.5 | 325.4 |
| [11] | GOB Liquidator Fees | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 |
| [11] | Less: GOB Store Level Expenses Add-Back | 0.0 | 0.0 | 0.0 | (5.5) | (5.5) | (15.8) | (15.8) | (14.0) | (14.0) | (14.0) | (14.0) | (26.7) | (24.6) | (24.6) | (24.6) | (24.6) | (24.7) | (24.7) | (273.0) |
| | **Total Operating Disbursements** | **$80.9** | **$151.7** | **$163.3** | **$239.7** | **$218.1** | **$203.5** | **$241.4** | **$219.7** | **$197.6** | **$154.0** | **$112.9** | **$104.1** | **$147.2** | **$90.9** | **$100.7** | **$106.3** | **$95.9** | **$93.2** | **$2,721.0** |
| [12] | Less: CapEx | 0.0 | 0.0 | 0.0 | 1.7 | 1.2 | 1.1 | 1.1 | 1.1 | 1.4 | 1.0 | 0.9 | 1.1 | 1.1 | 0.9 | 1.2 | 1.1 | 1.1 | 1.1 | 16.8 |
| | **Net Cash Flow** | **$105.4** | **$16.8** | **$33.8** | **($72.2)** | **($31.7)** | **$64.1** | **($12.1)** | **$6.9** | **$39.5** | **$75.5** | **$126.8** | **$283.3** | **$140.6** | **$162.5** | **$157.7** | **$124.8** | **$106.6** | **$82.4** | **$1,410.5** |
| | **NON-OPERATING CASH FLOW** | | | | | | | | | | | | | | | | | | | |
| [13] | Utility Deposits | $0.0 | $0.0 | $0.0 | $0.0 | $9.2 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $9.2 |
| [14] | Less: Professional Fees | 0.0 | 0.0 | 0.0 | 0.0 | 2.0 | 0.0 | 0.0 | 0.0 | 17.4 | 0.0 | 0.0 | 0.0 | 0.0 | 15.9 | 0.0 | 0.0 | 0.0 | 23.5 | 58.8 |
| [15] | Critical Vendor Payments | 0.0 | 9.1 | 0.0 | 15.0 | 15.0 | 15.0 | 15.0 | 11.0 | 9.0 | 8.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 98.0 |
| [16] | Insurance Payments | 0.0 | 0.0 | 0.0 | 0.0 | 4.3 | 4.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 8.6 |
| [17] | Gift Card Redemptions | 0.0 | 0.0 | 0.0 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 10.9 |
| [18] | KEIP / KERP | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 12.6 |
| [19] | Credit Card Holdbacks | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| [20] | PTO | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4.2 | 0.0 | 0.0 | 0.0 | 3.3 | 0.0 | 0.0 | 7.5 |
| [21] | Post-Petition TSA/CSA | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | **Chapter 11 Related** | **$0.0** | **$9.1** | **$0.0** | **$16.2** | **$31.8** | **$26.8** | **$16.2** | **$12.2** | **$27.6** | **$10.1** | **$1.2** | **$5.4** | **$6.3** | **$15.9** | **$0.0** | **$3.3** | **$0.0** | **$23.5** | **$205.6** |
| [22] | Less: Cash Interest | $0.9 | $1.1 | $1.1 | $4.1 | $4.1 | $3.9 | $3.5 | $3.6 | $4.1 | $4.5 | $4.5 | $4.4 | $4.1 | $4.0 | $3.7 | $3.4 | $3.2 | $3.0 | $61.3 |
| [23] | Less: Financing Fees | 10.3 | 0.0 | 0.0 | 0.0 | 8.8 | 0.0 | 0.0 | 0.0 | 0.0 | 7.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 26.1 |
| | **Total Other Non-Operating Disbursements** | **$11.2** | **$1.1** | **$1.1** | **$4.1** | **$12.9** | **$3.9** | **$3.5** | **$3.6** | **$4.1** | **$11.5** | **$4.5** | **$4.4** | **$4.1** | **$4.0** | **$3.7** | **$3.4** | **$3.2** | **$3.0** | **$87.3** |
| [24] | Unencumbered Assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 | 53.4 |
| [25] | Excess Proceeds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | **Total Asset Sales** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$8.9** | **$8.9** | **$8.9** | **$8.9** | **$8.9** | **$8.9** | **$53.4** |
| [26] | **Net Cash Flow Before ABL Paydown, ex TL** | **$94.2** | **$6.6** | **$32.7** | **($92.5)** | **($76.3)** | **$33.5** | **($31.9)** | **($9.0)** | **$7.8** | **$53.9** | **$121.1** | **$273.5** | **$139.1** | **$151.6** | **$162.8** | **$126.9** | **$112.3** | **$64.8** | **$1,171.0** |
| [27] | Term Loan Draw | $111.9 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $111.9 |
| [28] | **Net Cash Flow Before ABL Paydown, w/TL** | **$206.1** | **$6.6** | **$32.7** | **($92.5)** | **($76.3)** | **$33.5** | **($31.9)** | **($9.0)** | **$7.8** | **$53.9** | **$121.1** | **$273.5** | **$139.1** | **$151.6** | **$162.8** | **$126.9** | **$112.3** | **$64.8** | **$1,282.9** |
| [29] | Other Financing | $0.0 | $0.0 | $0.0 | $0.0 | ($161.5) | ($33.5) | $31.9 | $9.0 | ($7.8) | ($53.9) | ($121.1) | ($273.5) | ($139.1) | ($151.6) | ($162.8) | ($126.9) | ($112.3) | ($64.8) | ($1,367.9) |
| | **Net Cash Flow** | **$206.1** | **$6.6** | **$32.7** | **($92.5)** | **($237.8)** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **$0.0** | **($85.0)** |
| [30] | Available Cash | 296.5 | 297.7 | 330.4 | 237.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| [31] | Net Availability | 155.5 | 115.0 | 66.5 | 80.9 | 144.4 | 134.4 | 83.2 | 144.7 | 148.3 | 141.0 | 179.2 | 265.1 | 224.6 | 284.3 | 333.1 | 348.7 | 374.7 | 314.8 | 314.8 |
| [32] | **Memo: Total Liquidity (Availability + Cash)** | **$452.0** | **$412.7** | **$396.9** | **$318.7** | **$144.4** | **$134.4** | **$83.2** | **$144.7** | **$148.3** | **$141.0** | **$179.2** | **$265.1** | **$224.6** | **$284.3** | **$333.1** | **$348.7** | **$374.7** | **$314.8** | **$314.8** |
| | Memo: Wind-down Reserve Balance | | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $8.9 | $17.8 | $26.7 | $35.6 | $44.5 | $53.4 | $53.4 |
| | Memo: Merchandise COGS | | 74.1 | 64.3 | 67.0 | 79.0 | 44.7 | 88.0 | 44.7 | 55.9 | 55.6 | 69.0 | 92.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 735.2 |
| | Memo: GOB COGS | | 0.0 | 26.5 | 30.7 | 31.5 | 77.3 | 86.3 | 87.8 | 92.2 | 93.2 | 95.4 | 167.2 | 172.8 | 152.6 | 154.1 | 157.2 | 119.7 | 110.5 | 1,655.1 |
| | Memo: Borrowing Base | 1,798.5 | 1,757.9 | 1,709.4 | 1,723.8 | 1,625.8 | 1,582.3 | 1,413.1 | 1,333.5 | 1,279.3 | 1,218.2 | 1,135.3 | 962.6 | 799.8 | 717.5 | 613.8 | 512.5 | 442.8 | 390.1 | |
| | Memo: Sr. DIP & 1L Borrowings | 1,642.9 | 1,642.9 | 1,642.9 | 1,642.9 | 1,481.4 | 1,447.9 | 1,329.8 | 1,188.8 | 1,131.1 | 1,077.2 | 956.1 | 682.6 | 543.5 | 391.9 | 229.1 | 102.1 | 0.0 | 0.0 | |
| | Memo: Jr DIP Borrowings | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 150.0 | 300.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | |

# Break

# Tax Update

# Overview of Sears' Tax Attributes*

*(all amounts are approximations)*

- As of February 3, 2018:
  - Consolidated federal net operating losses (NOLs): $5.0 billion
    - Amount does not reflect any FY2018 losses or deferred interest deductions (IRC Section 163(j)).
  - Consolidated federal tax credits: $900 million (most of which is foreign tax credits)
    - Tax basis in assets: $6.3 billion (includes current assets,** <u>but</u> excludes intercompany debt and US subsidiary stock basis)
  - Determining the stock basis and the status of the intercompany accounts for tax purposes is critical to understanding the potential tax consequences – both good and bad – of a sale of the assets of the company.
    - This is a substantial task Deloitte has been pursuing for only a few weeks and still has a lot of work to do, as described on the next slide.
  - As will be discussed, any acquisition of the tax attributes – whether in a stock acquisition under a Chapter 11 plan or pursuant to a BC Section 363 sale (in combination with a plan) – will be subject to reduction and limitation under the cancellation of debt ("COD") and change in ownership rules.

* Based on information provided by the company and tax returns, as filed. Amounts are subject to material change. Slides prepared in conjunction with Deloitte.

** Includes inventory of $2.4 billion and cash of $460 million.

# Critical Tax Work Streams (Deloitte Tax/Weil)

- Development and refinement of amount of tax attributes
- Complexity of structure requires significant analysis
  - NOLs in multiple entities
    - Sears Holdings Corporation; Sears, Roebuck and Co; Kmart Corporation; Sears Holdings Management Corporation; and others
  - Debt and COD in multiple locations
    - Debtors: Sears Holdings Corporation; Sears, Roebuck and Co; Sears Roebuck Acceptance Corp.; Sears Reinsurance Company Ltd.
  - Intercompany debt account balances and settlement
- Work Streams
  - Assist in evaluating bidder/stalking horse proposals and tax consequences
  - Tax basis in both assets and stock by entity
  - Resolution of complex intercompany debt structure
  - NOL, COD, and attribute reduction by entity
  - Assist with development of Chapter 11 plan structures

# Reduction of Tax Attributes for Cancellation of Debt

- For any corporation in bankruptcy (for which COD is incurred pursuant to a court order or confirmed plan), any COD is excluded from taxable income but the corporation's tax attributes (including NOLs) must be reduced by the amount of the excluded COD income.
  - Within a consolidated group, the tax attributes of other group members are also subject to reduction.
- Remaining tax attributes are then subject to limitation or further reduction under the IRC Section 382 change in ownership rules, assuming that Sears or its successor undergoes a 50% ownership change.
- Example: Based on an illustrative enterprise value of $1.5 billion (net of working capital) and third party debt of approx. [$5.5 billion], there would be $4.0 billion of COD, all excluded in the Chapter 11 case but resulting in attribute reduction. Following the reduction, the following "excess" tax attributes on a group wide basis would remain (subject to change in ownership limitations):*
  - Consolidated NOLs: $1.0 billion, plus FY2018 losses
  - Consolidated tax credits: $900 million**
  - Tax basis in assets (in excess of value):*** $1.8 billion (*i.e.*, $6.3 billion of tax basis less $4.5 billion of gross asset value)

* Actual results may vary materially because of the location of NOLs and COD income among members of the Sears group.

** Foreign tax credits potential utility depends on various factors.

*** Assumes current assets valued at around $3 billion (book value), which does not include intercompany debt and US subsidiary stock basis. Assets with "excess" basis are to be determined.

# If Section 382(l)(5) Applies: "Haircut" but No Annual Limitation

- Only available if pre-change shareholders and qualified creditors receive 50% or more of the reorganized company or its tax successor.
- A qualified creditor is any creditor holding "qualified" debt. Qualified debt generally is:
  - Debt outstanding since at least 18 months before the petition date, and continuously held since then by the same creditor;
  - Debt incurred in the debtor's ordinary course of business (such as trade debt), and continuously held by the same creditor; and
  - The above types of debt, <u>except that</u> the debt has traded and the creditor ends up with less than 5% (by value) of the stock of the reorganized equity.
- NOLs and likely any deferred interest deductions are reduced by the amount of interest deductions taken over the past 3-4 years with respect to the debt converted into stock.
  - If <u>all</u> debt were converted into stock, the combined NOL and likely deferred interest reduction potentially could be in the range of $1.0 billion (but is subject to continuing analysis) – significantly reducing NOLs. Also, not all debt may be converted. Tax Credits would be preserved. (Tax basis may be valuable without regard to Section 382(l)(5) qualification.)
- If a second ownership change occurs within 2 years of emergence, the annual limitation is zero (meaning any remaining NOL is generally of no further value thereafter).
  - Typically, the reorganized company's charter will restrict stock transfers to reduce this risk.

# Section 382(l)(6) Annual Limitation: In General

- Section 382(l)(6) annual limitation applies if the debtor does not qualify for Section 382(l)(5) or if the debtor elects out of Section 382(l)(5).
- Annual limitation on the use of the remaining NOLs and tax credits (*i.e.*, remaining after COD reduction) is generally equal to:

  (i) the long-term tax-exempt rate (currently, 2.43%) <u>times</u>

  (ii) the lesser of (a) post-reorganization equity value and (b) pre-transaction gross asset value

This can be increased, for the first 5 years after emergence, by the portion of the debtors' net unrealized built-in gain (NUBIG) actually or deemed recognized during such period; <u>however</u>, current indications are that this adjustment would not be material.

  - A significant portion of the excess tax basis may not be subject to the annual limitation.

- Can enhance basic annual limitation by increasing the post-reorganization equity value of reorganized company, such as by merging with a third party or by other new investment as part of the Chapter 11 plan.
- If creditors receive at least half of the reorganized company's equity so as to potentially qualify under Section 382(l)(5), the decision whether to apply Section 382(l)(5) does not have to be made until the filing of the tax return for the taxable year of emergence.

# Potential Monetization Structures

- Chapter 11 plan structure vs. BC Section 363 sale: General overview
  - In the context of a Chapter 11 plan, the existing debtors can be restructured (leaving the existing tax group intact, if desired), such that a new party alone or together with existing stakeholders can acquire the stock of the reorganized debtor group.
    - In such event, the tax attributes are indirectly acquired along with the assets of the restructured debtors.
    - A Chapter 11 plan structure for the entire company presents the least tax consequences, and puts less pressure on a refined understanding of intercompany debt and stock basis.
  - A 363 sale involves the acquisition of some or all of the debtor's assets by the bidder, which can be a creditor or group of creditors in whole or in part as a credit bid.
    - 363 sales can be effected on a group-wide basis or an entity-by-entity basis
    - As discussed below, a transfer of assets through a 363 sale can, under certain circumstances, qualify as a "tax" reorganization in which the tax attributes of the debtor travel with its assets, but with increased complexities and potential tax costs – due in part to the transfer of the tax attributes on the asset sale closing date even though there may be material taxable income incurred for the debtor/seller group after the transfer from the wind-up of the debtors.
      - <u>Looming possible impediment</u>: There may be risk that the wind up could trigger existing deferred gains relating to intercompany stock transfers, and any "excess loss accounts" if determined to exist.

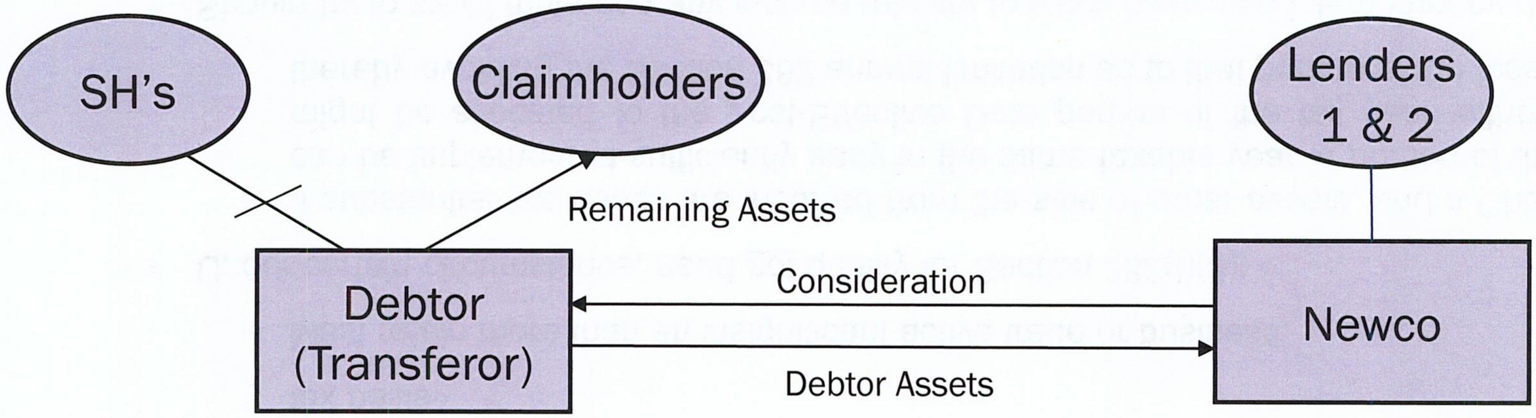
# Potential Chapter 11 Plan Examples

- Stock of Sears Holdings acquired by an existing creditor or group of creditors, alone or together with a new third party cash investment (with cash distributed to creditors):
  - <u>Potentially qualifies for Section 382(l)(5)</u>: If so, there would be no limitation on the use of the tax attributes (including NOLs) so long as no subsequent ownership change occurs within 2 years, but NOLs and likely deferred interest deductions reduced by up to $1 billion, depending on amount of converted debt – leaving current year losses and preserving tax credits.
  - <u>If annual limitation applies, Section 382(l)(6)</u>: At most, assuming up to a $1.5 billion equity value (depending on capital structure), an annual limitation of up to approx. $36 million / year, at 21%+ tax rate, on losses and credits.
  - In either instance, a substantial portion of excess tax basis would likely be available without limitation.
- Stock of Sears Holdings acquired in a business combination with a third party, such as a merger with a third party or the contribution of the third party's business for the reorganized equity of Sears:
  - Such a plan is <u>unlikely</u> to qualify under Section 382(l)(5).
  - <u>If annual limitation applies, Section 382(l)(6)</u>: If third party infuses a business sufficient to bring the reorganized equity value up to the pre-change gross asset value of approx. $4.5 billion (assuming no separate sales of business), the annual limitation could be up to approx. $110 million / year, at 21%+ tax rate, on losses and credits.
    - The business combination effectively enhances the annual limitation by increasing the post-reorganization equity value to the extent permitted under regulations.
- Debtor-by debtor acquisitions:
  - Select members of the Sears group could be acquired by creditors based on a refined understanding of where the tax attributes are located within the group.
  - In effect, the tax attributes and the above consequences could be divided up on an entity by entity basis; however, this may pose additional tax costs associated with subsidiary stock basis and treatment of intercompany accounts.

# Potential 363 Sales as Tax Reorganizations

- A BC Section 363 sale of a corporate debtor's assets for a mix of acquirer stock and other consideration can potentially qualify (in whole or in part) for tax reorganization treatment. *To the extent it does, an acquiror may be able to achieve similar tax results as those described above under a Chapter 11 plan.*
- To qualify for tax reorganization treatment –
  - The sale of assets and subsequent distribution to creditors/shareholders of the sale proceeds must be pursuant to a single plan and arrangement for tax purposes.
    - The sales agreement would constitute such plan (and would so provide) and generally would require that the "liquidation" of the seller corporation be completed from a tax perspective within a specified period (whether under a Chapter 11 plan or otherwise).
  - In addition, qualification as a tax reorganization depends on the composition of the ultimate distribution of consideration to creditors/shareholders under the plan (stock vs. non-stock), as well as the satisfaction of certain other requirements.
  - Whether these various requirements could be satisfied depends on the facts and circumstances of the particular transaction, and becomes more complex in a multi-tier structure (as we have here).
- As previously indicated, however, there potentially could be significant tax costs not present in a Chapter 11 restructuring of the existing group.

# BC Section 363 Exchange: Tax Reorganization Example




Letter Ruling 201025018 illustrates a BC Section 363 exchange that included the following steps:

- Debtor is in bankruptcy.
- Debtor transferred the Company Assets, excluding the Unwanted Assets, to Newco in exchange for (i) common stock of Newco; (ii) the Instrument; (iii) credit bids of certain loans; (iv) the assumption by Newco of certain liabilities; and (v) Newco Series A Warrants (the "Exchange").
- Debtor attempted to sell or wind down the Unwanted Assets, and noted that it may sell the Newco common stock and Newco Series A Warrants that it received in the Exchange.
- Debtor then planned to liquidate, distributing its remaining assets to Debtor's claimholders.
- The IRS ruled that the Exchange and Debtor liquidation constituted a tax reorganization – as a result Newco acquired the tax attributes of the Debtor (after reduction for COD and subject to the change in ownership limitations of Section 382.

# Can't Sell it, Can Still Preserve it

- What do you do when you have sold most or substantially all of your assets, but there are still substantial tax attribute remaining that couldn't be sold? Sometimes you can still preserve them for your stakeholders.
- There are variations to this. But in the best circumstances, one or more businesses are retained, and then reorganize and distribute Sears Holdings to the creditors and/or shareholders.
- Under any of these variations, the tax attributes are principally of speculative value.
- Availability of tax attributes –
  - <u>May qualify under Section 382(l)(5)</u>: If so, the reorganized company would retain for future any remaining NOLs (after the reduction for COD and the "haircut").
    - This would include any additional tax losses due to the sale of assets that had "excess" tax basis.
    - Must retain more than an insignificant active trade or business.
  - Under certain circumstance, need <u>not</u> qualify for Section 382(l)(5):
    - If substantial tax losses are incurred from the sale of other assets, and a Chapter 11 plan can be implemented sufficiently early in the same taxable year, a portion of the tax losses might be allocated to the post-Effective Date portion of the tax year without limitation, thereby avoiding the Section 382 annual limitation as to that portion of the losses.
  - Should try to avoid triggering any income relating to stock basis and intercompany debt issues

# DIP Financing Overview

Weil LAZARD M-III PARTNERS

# DIP Financing Overview

- The (a) final hearing for the DIP ABL and (b) interim hearing for the Junior DIP is currently noticed for November 27th at 1:30 pm (ET). The Company continues to finalize proposals and socialize such proposals with key stakeholders—including the DIP ABL Lenders and the Unsecured Creditors Committee.
- The Junior DIP process continues to be rigorous and exhaustive; Lazard has contacted almost 100 parties in interest, eventually executing approximately 35 NDAs, and sending incremental DIP process letters to approximately 25 parties.
  - To date, the following parties have submitted indicative proposals:
    - ESL: $350mm proposal (interest rescinded on 11/4)
    - EFO: $450mm proposal (interest rescinded on 11/7)
    - Cyrus-led consortium: $375mm proposal
    - Great American Capital led consortium:
      - (a) $450mm proposal—later revised to a $350mm proposal, and
      - (b) $600mm proposal
- Although the Company continues to consider all available options, they have narrowed their focus to the Great American Capital $350mm proposal and the Cyrus-led $375mm proposal. Both parties continue to conduct diligence and exchange term sheets with the Company's advisors. The Company has shared the draft term sheets with the DIP ABL Lenders and the Unsecured Creditors Committee.
- The Company and its advisors continue to work around-the-clock responding to diligence requests, responding to inquiries, and turning mark-ups in a productive and swift manner.
- As of Friday, November 9, the Company has narrowed issues, particularly with respect to the Great American Capital $350mm proposal.

# Junior DIP: Process Summary

**Lazard conducted initial discussions with 97 potential Junior DIP financing providers, ultimately receiving conforming term sheets from two consortiums led by Great American Capital Partners ("GACP") and Cyrus Capital Partners ("Cyrus").**

- Also received one non-conforming proposal from EFO Financial
- See Appendix for detailed contact log

| Initial Outreach | NDA Requests | Executed NDA | Submitted Proposal |
|---|---|---|---|
| 98 Parties | 62 Parties | 34 Parties | 10 Parties (3 Consortiums) |

| GACP Consortium[1] | Cyrus Consortium |
|---|---|
| Great American Capital Partners, Farallon (Est. 1986), Perot, First Pacific, Whitebox, Blue Torch Capital | Cyrus Capital Partners, Mudrick Capital, Fir Tree Partners |

1. Additional parties including PIMCO, Silverpoint and Apollo may join GACP consortium.

# Junior DIP: Key Terms

**The following summarizes the latest terms of the GACP and Cyrus proposals**

- Key business points in GACP proposal are generally agreed; Cyrus economics, collateral package and milestones subject to further negotiation, as outlined in the Appendix.

| | GACP (11/9/2018) | Cyrus Proposal (11/8/2018) |
|---|---|---|
| Lenders | • GA Capital and certain other institutions | • Cyrus, Mudrick, [Fir Tree] |
| Terms | • $350 million term loan<br>– Assumes ABL DIP commitment size and structure remains consistent with structure approved on an interim basis<br>• L+11.50% | • $375 million term loan<br>– Contemplates reduction of ABL DIP to $225 million incremental commitment<br>• L+12.00% |
| Duration | • Earlier of 8 months with a 4 month extension option, or the Maturity Date of ABL DIP | • Earlier of 7 months, with a 3-month extension option, and a second 3-month extension option; or the Maturity Date of the ABL DIP |
| Fees | • Closing Fee: 3.00% on interim and remainder at final approval<br>• Undrawn Fee: 0.75%<br>• Agent Monitoring Fee: $200,000<br>• Extension Fee: 1.25% with payment at maturity | • Upfront Fee: 3.00% on interim and remainder at final approval<br>• OID: 1.00%<br>• Undrawn Fee: 0.75%<br>• Extension Fees: 1.50%<br>• Prepayment Fee: 2.50% prior to March 15<br>• Agency Fee: $50,000 |
| Priority | • Junior lien on ABL collateral behind all first and second lien prepetition debt<br>• Junior lien behind ABL DIP on all previously unencumbered assets (except specified assets)<br>• Senior lien on specified assets *pari passu* with ABL DIP<br>• Junior lien behind ABL DIP and prepetition liens on previously encumbered assets | • Senior lien on all previously unencumbered assets<br>• Junior lien on all previously encumbered assets, behind ABL DIP, except on IP/GL collateral where lien is senior to DIP ABL<br>• Equity pledge of Sparrow Entity |
| Funding | • Multiple draw term loan facility<br>• Initial funding $150 million; subsequent draws to occur when Debtor's available cash is less than $50 million | • Multiple draw term loan facility<br>• Initial funding of $175 million; minimum draws of $50 million thereafter, up to $200 million |
| Winddown Reserve | • $200 million to be funded from first proceeds from previously unencumbered assets and any excess proceeds from the sale of any encumbered assets | • $200 million to be funded from first proceeds from previously unencumbered assets and any excess proceeds from the sale of any encumbered assets |

Note: Summary includes key business points; not comprehensive.

# Junior DIP: Key Terms (cont'd)

**The following summarizes the latest terms of the GACP and Cyrus proposals**

| | GACP Proposal (11/9/2018) | Cyrus Proposal (11/8/2018) |
|---|---|---|
| **Store Maintenance Reserve** | • N/A | • Cash reserve of $[TBD] million created upon close from proceeds of Junior DIP to be held until such time as certain stores constituting DIP collateral have been sold |
| **Credit Bidding** | • Customary rights for junior creditors | • Can credit bid to the extent the Winddown Reserve is fully funded |
| **Milestones** | • Final Order to be entered no later than December 28, 2018; Final Closing Date to occur no later than January 5, 2018<br>• Other milestones same as ABL DIP | • Approval of DIP by December 20, 2018<br>• Other milestones same as ABL DIP with additional requirement to demonstrate plan of asset disposition by December 1, 2018<br>– Asset sale disposition plan milestone subject to further negotiation |
| **Covenants** | • Compliance with the Approved Budget, subject to permitted variances | • Compliance with the Approved Budget, subject to permitted variances |
| **Other** | • Retention of liquidation consultants and retail liquidation firm acceptable to the DIP agent | • No marketing of Junior DIP, subject to fiduciary out for inbound proposals |

# KERP / KEIP

# KERP Structure

- The KERP is a 12 months plan designed to retain key associates through the process of reorganization. Unlike the KEIP, the KERP is payable based on remaining in role throughout the duration of the 12 month period

- Total Budget: $17 million

- Participants: 331 (4.1%) “critical associates” identified by executive leadership from an initial submission of 900 nominees out of 8000 total eligible associates

- Payment Structure*:
  - The full target award is set as a percent of base salary, ranging from 30-40% of annual salary
  - As designed, the maximum amount payable to any individual under the KERP will be no more than $150,000
  - Payment Frequency**:
    - 25% of target payable after 3 months from initial filing
    - 25% of target payable after 6 months from initial filing
    - 25% of target payable after 9 months from initial filing
    - 25% of target payable after 12 months from initial filing

- The Restructuring Committee, upon the recommendation of the Chief Restructuring Officer and the Office of the CEO, may reallocate any remaining amounts of the KERP Award Pool as one-time cash retention payments to a KERP Participant or to an employee in good standing who is not a KERP Participant.

*KERP Award will be subject to the KERP Participants executing a wavier of severance
**All KERP Payments shall be subject to the Clawback period (October 15, 2018 – October 15, 2019)

# KEIP Structure

- The KEIP is a 12 months plan with Quarterly payment opportunities, subject to claw back if participants voluntarily leave the company (sooner of one year from filing or effective date of emergence plan)

- Total Maximum Cost of the KEIP shall be no more than $8.0 million

  - KEIP 1: Months 1-6 from filing
    - Represents 50% of the total KEIP budget: $4.0 million
    - Incentive payable IF SHC *exceeds* Net Operating Cash Flow against the DIP budget, as follows:
      - Below 110% of budget = 0 Payment
      - 110% of budget = 50% of Target Incentive
      - 115% of budget = 85% of Target Incentive
      - 120% of budget = 100% of Target Incentive

  - KEIP 2: 6-12 months from initial filing
    - Court approval will be sought for an additional $4.0 million
    - The performance metrics may be the same; net operating cash flow, or we may contemplate different targets, providing us motivational flexibility as we clearly identify necessary outcomes.

*KEIP Award will be subject to the KEIP Participants executing a wavier of severance
**All KEIP Payments shall be subject to the Clawback period (October 15, 2018 – October 15, 2019)

Weil LAZARD M-III PARTNERS

# Proposed KEIP Roster: 2016 -2018 Compensation History and Total Target Compensation

| | | 2016 * | | | | | 2017 ** | | | | | 2018 *** | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| KEIP Roster | Base Date | Base Salary | AIP Target $ | LTIP Target $ | Total Target Compensation | Total Delivered Compensation | Base Salary | Target AIP $ | Target LTIP $ | Total Target Comp | Total Delivered Compensation | Base Salary | Target AIP $ | Target LTIP $ | Total Target Comp |
| 1 | 06/18/2018 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $600,000 | $450,000 | $450,000 | $1,500,000 |
| 2 | 09/22/2018 | $375,000 | $187,500 | $187,500 | $750,000 | $406,425 | $375,000 | $187,500 | $187,500 | $750,000 | $468,750 | $500,000 | $375,000 | $187,500 | $1,062,500 |
| 3 | 11/07/2017 | $0 | $0 | $0 | $0 | $0 | $750,000 | $1,500,000 | $0 | $2,250,000 | $113,636 | $750,000 | $1,500,000 | N/A | $2,250,000 |
| 4 | 09/17/2018 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $400,000 | $300,000 | $300,000 | $1,000,000 |
| 5 | 10/22/2017 | $0 | $0 | $0 | $0 | $0 | $600,000 | $600,000 | $450,000 | $1,650,000 | $114,583 | $600,000 | $450,000 | $450,000 | $1,500,000 |
| 6 | 05/01/2017 | $600,000 | $450,000 | $450,000 | $1,500,000 | $915,172 | $700,000 | $700,000 | $525,000 | $1,925,000 | $904,498 | $700,000 | $525,000 | $525,000 | $1,750,000 |
| 7 | 03/06/2017 | $0 | $0 | $0 | $0 | $0 | $550,000 | $550,000 | $550,000 | $1,650,000 | $759,649 | $550,000 | $550,000 | $550,000 | $1,650,000 |
| 8 | 02/04/2013 | $475,000 | $332,500 | $475,000 | $1,282,500 | $755,637 | $475,000 | $356,250 | $475,000 | $1,306,250 | $630,325 | $475,000 | $332,500 | $332,500 | $1,140,000 |
| 9 | 04/21/2017 | $500,000 | $375,000 | $250,000 | $1,125,000 | $731,875 | $650,000 | $650,000 | $650,000 | $1,950,000 | $899,477 | $650,000 | $650,000 | $650,000 | $1,950,000 |
| 10 | 02/05/2018 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $500,000 | $375,000 | $375,000 | $1,250,000 |
| 11 | 04/25/2017 | $350,000 | $262,500 | $175,000 | $787,500 | $367,500 | $425,000 | $425,000 | $318,750 | $1,168,750 | $453,264 | $425,000 | $318,750 | $318,750 | $1,062,500 |
| 12 | 03/01/2012 | $420,000 | $315,000 | $315,000 | $1,050,000 | $540,750 | $420,000 | $315,000 | $420,000 | $1,155,000 | $560,752 | $420,000 | $315,000 | $315,000 | $1,050,000 |
| 13 | 10/01/2018 | $300,000 | $150,000 | $150,000 | $600,000 | $345,000 | $340,000 | $255,000 | $170,000 | $765,000 | $360,722 | $425,000 | $318,750 | $318,750 | $1,062,500 |
| 14 | 10/01/2018 | $250,000 | $125,000 | $125,000 | $500,000 | $353,858 | $285,000 | $142,500 | $142,500 | $570,000 | $394,831 | $340,000 | $255,000 | $255,000 | $850,000 |
| 15 | 06/04/2018 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $633,000 | $474,750 | $474,750 | $1,582,500 |
| 16 | 09/10/2018 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $525,000 | $393,750 | $393,750 | $1,312,500 |
| 17 | 01/03/2018 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $500,000 | $375,000 | $375,000 | $1,250,000 |
| 18 | 09/01/2016 | $0 | $0 | $0 | $0 | $280,000 | $450,000 | $450,000 | $225,000 | $1,125,000 | $769,710 | $450,000 | $450,000 | $225,000 | $1,125,000 |
| | | $3,270,000 | $2,197,500 | $2,127,500 | $7,595,000 | $4,696,217 | $6,020,000 | $6,131,250 | $4,113,750 | $16,265,000 | $6,430,197 | $9,443,000 | $8,408,500 | $6,496,000 | $24,347,500 |

* Exec 18 started in 2016

** Execs 3, 5, & 7 started in 2017

*** Execs 1, 4, 10, 15, 16, & 17 started in 2018

# Proposed KEIP Roster: 2016 -2018 Compensation History and Total Target Compensation (cont'd)

| KEIP Roster | 2018 Base Salary | 2018 Target AIP $ | 2018 Target LTIP $ | 2018 Total Target Comp | PROPOSED Base Salary | Change | Proposed KEIP as % of Base Salary | Proposed KEIP $ | Proposed Total Target Cash with KEIP |
|---|---|---|---|---|---|---|---|---|---|
| 1 | $600,000 | $450,000 | $450,000 | $1,500,000 | $600,000 | **$0** | **75%** | **$450,000** | $1,050,000 |
| 2 | $500,000 | $375,000 | $187,500 | $1,062,500 | $500,000 | **$0** | **75%** | **$375,000** | $875,000 |
| 3 | $750,000 | $1,500,000 | N/A | $2,250,000 | $750,000 | **$0** | **100%** | **$750,000** | $1,500,000 |
| 4 | $400,000 | $300,000 | $300,000 | $1,000,000 | $400,000 | **$0** | **75%** | **$300,000** | $700,000 |
| 5 | $600,000 | $450,000 | $450,000 | $1,500,000 | **$975,000** | **$375,000** | **100%** | **$975,000** | $1,950,000 |
| 6 | $700,000 | $525,000 | $525,000 | $1,750,000 | **$975,000** | **$275,000** | **50%** | **$487,500** | $1,462,500 |
| 7 | $550,000 | $550,000 | $550,000 | $1,650,000 | $550,000 | **$0** | **100%** | **$550,000** | $1,100,000 |
| 8 | $475,000 | $332,500 | $332,500 | $1,140,000 | **$500,000** | **$25,000** | **100%** | **$500,000** | $1,000,000 |
| 9 | $650,000 | $650,000 | $650,000 | $1,950,000 | **$975,000** | **$325,000** | **100%** | **$975,000** | $1,950,000 |
| 10 | $500,000 | $375,000 | $375,000 | $1,250,000 | $500,000 | **$0** | **75%** | **$375,000** | $875,000 |
| 11 | $425,000 | $318,750 | $318,750 | $1,062,500 | **$500,000** | **$75,000** | **75%** | **$375,000** | $875,000 |
| 12 | $420,000 | $315,000 | $315,000 | $1,050,000 | **$450,000** | **$30,000** | **75%** | **$337,500** | $787,500 |
| 13 | $425,000 | $318,750 | $318,750 | $1,062,500 | $425,000 | **$0** | **75%** | **$318,750** | $743,750 |
| 14 | $340,000 | $255,000 | $255,000 | $850,000 | $375,000 | **$35,000** | **75%** | **$281,250** | $656,250 |
| 15 | $633,000 | $474,750 | $474,750 | $1,582,500 | $633,000 | **$0** | **40%** | **$253,200** | $886,200 |
| 16 | $525,000 | $393,750 | $393,750 | $1,312,500 | $525,000 | **$0** | **40%** | **$210,000** | $735,000 |
| 17 | $500,000 | $375,000 | $375,000 | $1,250,000 | $500,000 | **$0** | **75%** | **$375,000** | $875,000 |
| 18 | $450,000 | $450,000 | $225,000 | $1,125,000 | $450,000 | **$0** | **40%** | **$180,000** | $630,000 |
| | $9,443,000 | $8,408,500 | $6,496,000 | $24,347,500 | $10,583,000 | $1,140,000 | | **$8,068,200** | $18,651,200 |

Weil LAZARD M-III PARTNERS

# Chapter 11 Timeline

# Chapter 11 Timeline

**October 2018**

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| 30 | 1 | 2 | 3 | 4 | 5 | 6 |
| 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| 21 | 22 | 23 | 24 | 25 | 26 | 27 |
| 28 | 29 | 30 | 31 | 1 | 2 | 3 |
| 4 | 5 | 6 | 7 | 8 | 9 | 10 |

**November 2018**

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| 28 | 29 | 30 | 31 | 1 | 2 | 3 |
| 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 11 | 12 | 13 | 14 | 15 | 16 | 17 |
| 18 | 19 | 20 | 21 | 22 | 23 | 24 |
| 25 | 26 | 27 | 28 | 29 | 30 | 1 |
| 2 | 3 | 4 | 5 | 6 | 7 | 8 |

**December 2018**

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| 25 | 26 | 27 | 28 | 29 | 30 | 1 |
| 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| 16 | 17 | 18 | 19 | 20 | 21 | 22 |
| 23 | 24 | 25 | 26 | 27 | 28 | 29 |
| 30 | 31 | 1 | 2 | 3 | 4 | 5 |

**January 2019**

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| 30 | 31 | 1 | 2 | 3 | 4 | 5 |
| 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| 20 | 21 | 22 | 23 | 24 | 25 | 26 |
| 27 | 28 | 29 | 30 | 31 | 1 | 2 |
| 3 | 4 | 5 | 6 | 7 | 8 | 9 |

**February 2019**

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| 27 | 28 | 29 | 30 | 31 | 1 | 2 |
| 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| 17 | 18 | 19 | 20 | 21 | 22 | 23 |
| 24 | 25 | 26 | 27 | 28 | 1 | 2 |
| 3 | 4 | 5 | 6 | 7 | 8 | 9 |

**March 2019**

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| 24 | 25 | 26 | 27 | 28 | 1 | 2 |
| 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| 17 | 18 | 19 | 20 | 21 | 22 | 23 |
| 24 | 25 | 26 | 27 | 28 | 29 | 30 |
| 31 | 1 | 2 | 3 | 4 | 5 | 6 |

| | |
|---|---|
| October 15 | • Chapter 11 filing<br>• File GOB Motion |
| October 17 | • Interim DIP Order approved |
| October 25 | • Hearing on GOB Motion |
| November 15 | • Second Day Hearing<br>• Secondary GOB Sales order approved<br>• SHIP, Global, and De Minimis Sale Procedures Hearing<br>• Hearing on MTN Sale Motion |
| November 27 | • Final Closing Date for DIP ABL Facility |
| November 27 | • Hearing on Final Order approving DIP ABL Facility and Final Cash Management Order |
| Late November | • Begin Chapter 11 Plan Discussions |
| December 11 | • SHIP Bid Deadline |
| December 13 | • SHIP Auction (if applicable) |
| December 13 | • Deadline to File Schedules/SOFAs (if no extension)<br>• 341 Meeting of Creditors |
| December 15 | • Deadline to Deliver Committed Financing for NewCo Transaction |
| December 18 | • SHIP Sale Hearing |
| December 20 | • Omnibus Hearing Date |
| Late December | • Target Date for Chapter 11 Plan Filing |
| January 2019 | • Target Disclosure Statement Hearing |
| Late January 2019 | • Deadline for Auction on NewCo |
| February 10, 2019 | • Deadline for Closing NewCo Transaction |
| February 11, 2019 | • End of Debtors' Initial Exclusive Period for Filing Plan (assuming no extension) |
| March 2019 | • Targeted Chapter 11 Plan Confirmation |

# *EXHIBIT B*

kmart sears SHOP YOUR WAY Kenmore CRAFTSMAN DieHard sears HOME SERVICES

DRAFT

# Preliminary Business Plan

*Sears Holdings Corporation*

December 2018

EXHIBIT UCC 5
DATE 1/23/19
MARK RICHMAN, CSR, RPR

SEARS HOLDINGS

**[DRAFT – Subject to Review]**

# Table of Contents

# I. The Network Benefit

[DRAFT – Subject to Review]

# Sears Holdings is a retailer with an integrated network of businesses using its retail footprint to provide synergistic value to many businesses

### KENMORE

***Value*** – Significant amount of customers go to Sears specifically to purchase Kenmore products

***Synergy*** – Drives store revenues and Protection Agreement sales at Sears Home Services

***Growth*** – Expand existing and target new third-party distributors

### SEARS HOME SERVICES

***Value*** – Market leading repair, parts, installation and protection business

***Synergy*** – Protection Agreement revenue driven by appliance sales at Sears locations

***Growth*** – A re-organized and properly capitalized Sears could bring in partners to help drive growth

### SHOPYOURWAY

***Value*** – Provides robust rewards program for Sears network

***Synergy*** – ShopYourWay activity and corresponding value is directly related to the store footprint

***Growth*** – Grow existing and add new third-party ShopYourWay partners

### sears®

NewCo 505 Brick and Mortar Footprint

### INNOVEL

***Value*** – One of a few logistics companies with cross-country, 2-day delivery and installation fulfillment capabilities

***Synergy*** – Core part of Sears supply chain

***Growth*** – Cultivate existing and target new 3rd party partners

### E-COMMERCE BUSINESS

***Value*** – Retailers require strong online presence in an era of ever-expanding technology

***Synergy*** – Local store presence drives customers online and vice versa

***Growth*** – Additional investments Driving growth via higher conversion and traffic

### SEARS AUTO

***Value*** – Leading brand in auto center repair industry

***Synergy*** – Drives business at co-located Sears locations and DieHard economics

***Growth*** – Open new detached locations and/or partner with 3rd party providers

### FINANCIAL SERVICES

***Value*** – Revenue share program with Citi

***Synergy*** – Integration with ShopYourWay and size and store footprint drives economics

***Growth*** – Add to existing product portfolio; scales with other business

### REAL ESTATE

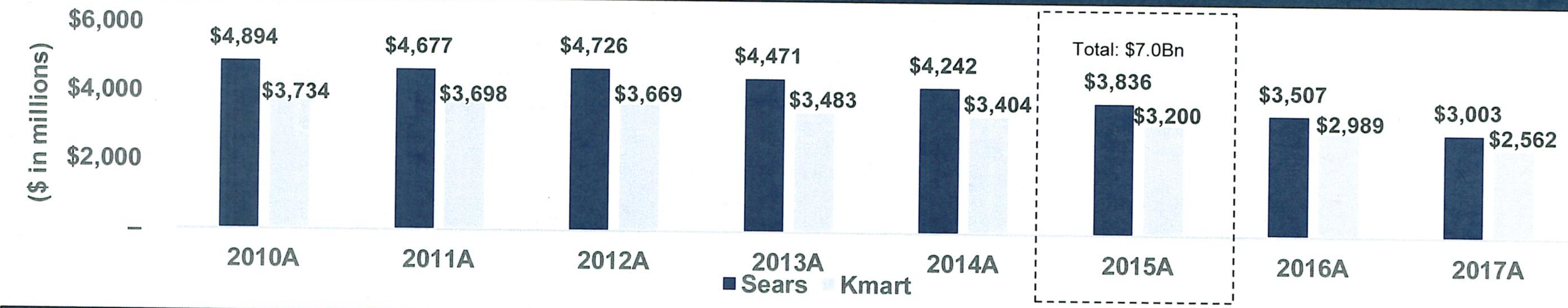
***Value*** – Attractive assets and a diversified geographic footprint (located in all 50 states, as well as Puerto Rico and Guam), is key to an integrated retail solution

# II. Financial Estimates and Projections

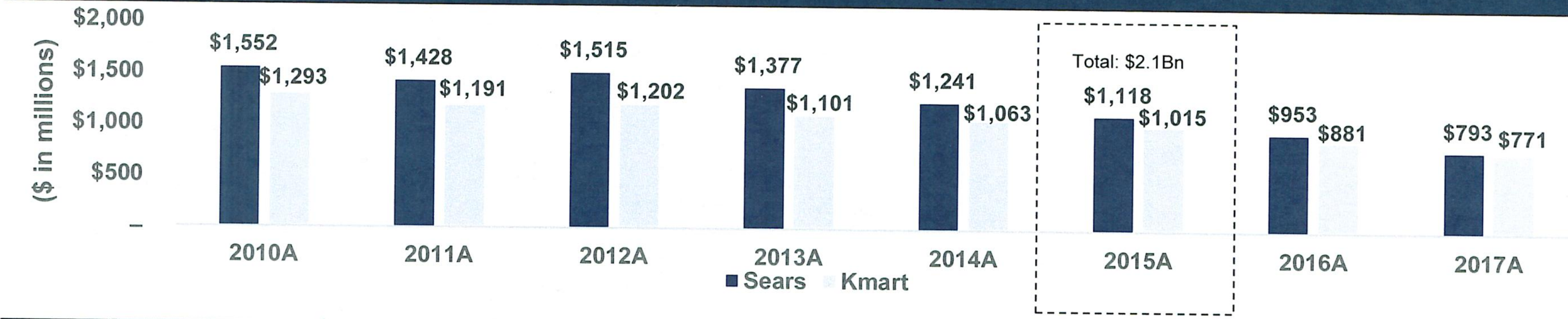
[DRAFT – Subject to Review]

# The 505 stores in our go-forward plan delivered over $7BN of revenue and $338MM of store-level EBITDA in 2015[(1)]

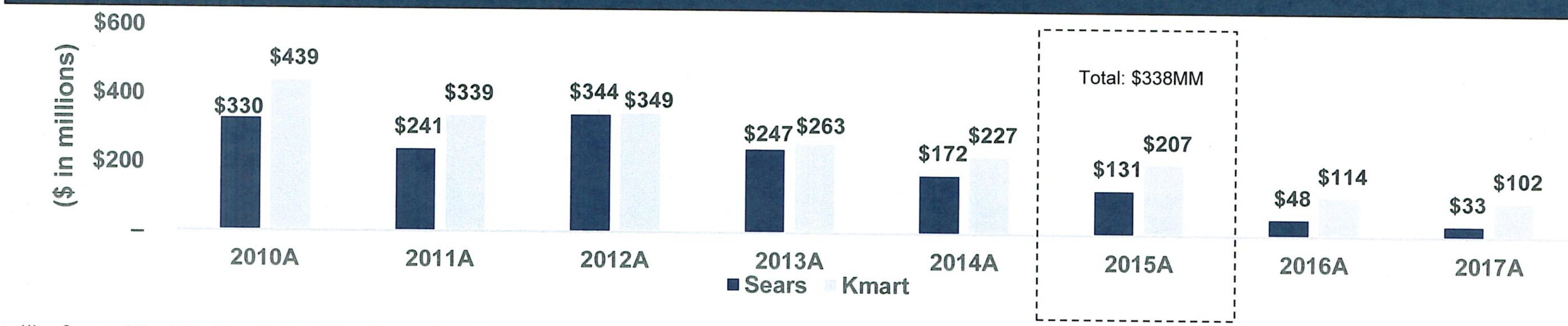
## Historical Revenue




## Historical Gross Margin




## Historical EBITDA




(1) Sears and Kmart store 4-wall financials only; excludes Sears Auto Center, Online and ShopYourWay

[DRAFT – Subject to Review]

# Our business plan is driven by a robust, store-level financial model

## Assumptions and Methodology by Business Unit

| | Methodology | Assumptions |
|---|---|---|
| **Retail (Brick & Mortar, Sears Auto Center, Online & ShopYourWay)** | • Brick and Mortar: By store revenue and EBITDA build<br>• Sears Auto Center: By store revenue and EBITDA build<br>• Online: Growth off of historical performance<br>• ShopYourWay ("SYW"): Based on percentage of sales realized historically | • Footprint reduced to 505 total stores (266 Sears & and 239 Kmart)<br>• Forecast driven off LTM actual performance through October 2018<br>• Management operational initiatives drive improving same-store sales comps of:<br>– 2019 FY: (2.4%)<br>– 2020 FY: +2.7%<br>– 2021 FY: +3.5%<br>• Due to limited seasonal inventory purchasing in softlines, there may be downside risk to 1H19 same-store sales comps, but upside in 2H19<br>• Management initiatives also result in 250-300 bps of gross margin improvement in 2019<br>• Fixed operating expenses held flat in 2019; grown at 2% thereafter<br>• Inventory by Kmart / FLS format per company management forecast; 5 day terms ramping to 60 day terms over 2.5 year period through 2021<br>• Online: 2019-2021 revenue growth of 5% per annum<br>• ShopYourWay: ~1.9% of total online and retail sales (based on LTM actuals) |
| **Home Services** | • Underlying business segments forecasted based on key drivers; based on management team's detailed financial model | • SHIP sold to stalking horse buyer and is excluded from forecast<br>• Protection agreement business continues to originate policies through new agreement with Assurant<br>• Business segment initiatives (e.g. website rebuild, B2B refocus, etc.) will continue positive operating momentum |
| **Other Businesses** | • Financial Services based on percentage of sales realized historically<br>• Kenmore driven by historical trends by sales channel | • Financial Services: ~1.7% of total FLS retail sales (based on LTM actuals)<br>• Kenmore / DieHard:<br>– Same store sales grown 5% per annum<br>– Amazon growth based on management projections<br>– No new third-party distributors<br>• Monark: Same store sales grown 5% per annum |
| **Overhead, SG&A and Supply Chain & Logistics** | • Management forecast based on result of three week long review of costs at each business unit by Office of the CEO and M-III | • Home Office SG&A: Reduced from ~$850MM current run-rate to ~$420MM on a run-rate basis<br>• Supply Chain & Logistics: 9 conveyable distribution centers reduced to 5<br>• Innovel: Third party revenue ramps from $73MM in 2018 to $500MM+ in 2021 |

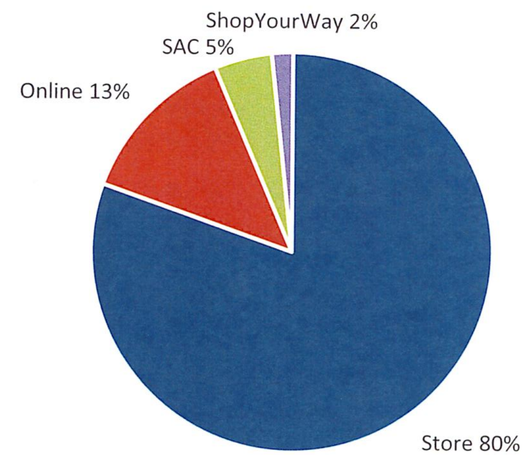
[DRAFT – Subject to Review]

# A smaller, balanced Sears and Kmart footprint delivers $329MM of retail EBITDA in 2019 (comprised of 505 stores, Sears Auto, Online, and ShopYourWay)

## Business Overview

- Sears' Retail Business consists of its 266 Sears Stores, 239 Kmart Stores and their respective Online presences
- The business is broken into the primary categories below:
  - Hardlines: Home Appliances ("HA"), consumer electronics, tools, lawn & garden, outdoor living, sporting goods, mattresses, and Monark businesses
  - Softlines: Apparel, footwear, home, and jewelry businesses; these businesses sell an assortment of proprietary brands as well as third party retail options
  - Sears Auto Centers: Multi-channel automotive aftermarket service provider offering replacement tires, mechanical diagnostics and repair, vehicle maintenance products and services, batteries and battery-related accessories, as well as automotive accessories and chemicals for cars and light trucks
  - Grocery & Drugstore, Pharmacy, and Children's Entertainment & Seasonal: Grocery, household and pet supplies, beauty care, over-the-counter health & wellness, stationery, party supplies, children's entertainment products, seasonal merchandise, dispenses prescription drugs and performs clinical services

## Revenue by Segment




FY 2019E Revenue: $6.3BN Revenue

## FY2019 Forecasted Financials

| ($ in MM) | Feb 2019 | Mar 2019 | Apr 2019 | May 2019 | Jun 2019 | Jul 2019 | Aug 2019 | Sep 2019 | Oct 2019 | Nov 2019 | Dec 2019 | Jan 2020 | FY2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Same Store Sales (% Change)* | *(3.1%)* | *(3.3%)* | *(4.0%)* | *(3.8%)* | *(5.0%)* | *(4.6%)* | *(4.1%)* | *(4.9%)* | *(0.6%)* | *1.0%* | *1.1%* | *(0.3%)* | *(2.4%)* |
| Brick and Mortar Revenue | $323 | $416 | $331 | $396 | $477 | $346 | $362 | $410 | $337 | $514 | $732 | $401 | $5,045 |
| Sears Auto Center Revenue | 21 | 26 | 20 | 21 | 27 | 21 | 22 | 26 | 23 | 25 | 31 | 27 | 291 |
| Online Revenue | 62 | 75 | 59 | 74 | 93 | 57 | 68 | 80 | 34 | 80 | 83 | 62 | 826 |
| ShopYourWay | 6 | 12 | 7 | 8 | 11 | 7 | 8 | 10 | 6 | 8 | 17 | 8 | 108 |
| **Total Revenue** | **$412** | **$530** | **$417** | **$499** | **$607** | **$431** | **$459** | **$526** | **$401** | **$627** | **$863** | **$498** | **$6,270** |
| (-) COGS | (294) | (370) | (276) | (342) | (424) | (294) | (334) | (377) | (273) | (451) | (599) | (370) | (4,402) |
| **Gross Margin** | **$118** | **$160** | **$141** | **$157** | **$183** | **$138** | **$125** | **$149** | **$128** | **$176** | **$264** | **$128** | **$1,868** |
| *Margin (%)* | *29%* | *30%* | *34%* | *32%* | *30%* | *32%* | *27%* | *28%* | *32%* | *28%* | *31%* | *26%* | *30%* |
| (-) Operating Expenses | ($118) | ($131) | ($110) | ($118) | ($134) | ($117) | ($118) | ($132) | ($119) | ($139) | ($162) | ($140) | ($1,539) |
| **Retail EBITDA** | **$0** | **$29** | **$30** | **$39** | **$48** | **$21** | **$8** | **$17** | **$9** | **$37** | **$103** | **($12)** | **$329** |
| *Margin (%)* | *0%* | *5%* | *7%* | *8%* | *8%* | *5%* | *2%* | *3%* | *2%* | *6%* | *12%* | *(2%)* | *5%* |

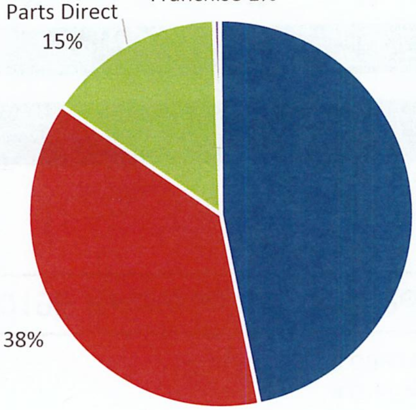
[DRAFT – Subject to Review]

# Sears Home Services is a major EBITDA contributor to SHC

## Business Overview

- Sears Home Services ("SHS") is the largest broad line provider of service contracts, services, and parts with a national footprint
- Service Contracts:
  1) Protection agreements – extended warranty for a single appliance or large lawn equipment
  2) Home warranty – protects all appliances and/or all HVAC systems
- In-Home Repair:
  1) Protection agreement service – traditional service of Sears-sold protection agreements
  2) B2B[1] – serving industry – original equipment manufacturers ("OEMs"), home warranty companies, etc.
  3) D2C[2] – serving customers with no warranty; pay cash for repairs
- PartsDirect: Serving the DIY customers
  - Searspartsdirect.com is the largest e-commerce website for appliance and lawn & garden parts
  - Parts sales on 3rd party marketplaces such as Amazon and eBay using DIY repair parts brands
- Franchise: National footprint of franchisees
  - Carpet & upholstery care, air duct cleaning & indoor air quality, garage solutions, maid services and handyman solutions

## Revenue by Segment




FY 2019E Revenue: $1.7BN Revenue

## FY2019 Forecasted Financials

| ($ in MM) | Feb 2019 | Mar 2019 | Apr 2019 | May 2019 | Jun 2019 | Jul 2019 | Aug 2019 | Sep 2019 | Oct 2019 | Nov 2019 | Dec 2019 | Jan 2020 | FY2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | $127 | $160 | $131 | $133 | $166 | $135 | $132 | $162 | $125 | $126 | $155 | $129 | $1,681 |
| (-) COGS | (32) | (41) | (36) | (37) | (46) | (38) | (38) | (43) | (30) | (32) | (39) | (33) | (444) |
| **Gross Margin** | **$94** | **$119** | **$95** | **$96** | **$120** | **$97** | **$95** | **$119** | **$95** | **$94** | **$116** | **$96** | **$1,237** |
| *Margin (%)* | *74%* | *74%* | *73%* | *72%* | *72%* | *72%* | *72%* | *73%* | *76%* | *75%* | *75%* | *75%* | *74%* |
| (-) Operating Expenses | ($75) | ($92) | ($77) | ($78) | ($97) | ($79) | ($78) | ($95) | ($77) | ($78) | ($93) | ($76) | ($994) |
| **EBITDA** | **$19** | **$27** | **$18** | **$18** | **$22** | **$18** | **$17** | **$24** | **$18** | **$17** | **$22** | **$20** | **$242** |
| *Margin (%)* | *15%* | *17%* | *14%* | *14%* | *14%* | *14%* | *13%* | *15%* | *14%* | *13%* | *14%* | *16%* | *14%* |

Note: Excludes Sears Home Improvement
(1) Refers to "business-to-business"
(2) Refers to "direct-to-consumer"

[DRAFT – Subject to Review]

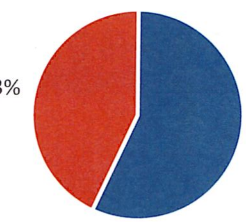
# Financial Services drives an incremental $142MM of profitability for Sears(1)

## Business Overview

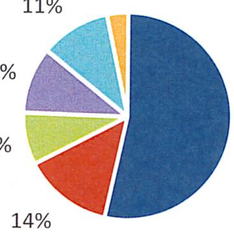
- The ShopYourWay Financial Services business unit provides credit, financial products, and payments solutions through a number of retail formats, as well as in online and commercial channels
- Diverse product portfolio includes:
  - Consumer credit (private label and general purpose cards)
  - Third party payment options (Visa, MasterCard, American Express, Discover, PIN Debit)
  - Layaway
  - Gift card
  - Alternative financial services (check cashing, bill pay, etc.)
- Provides financing options to support customers' ability to pay and drive incremental visits and profits to Sears Holding Corporation ("SHC") retail locations and increase loyalty and of customers to SHC via the SYW rewards program
- **Financial Services contributes $142MM(3) of profitability at Sears through three categories:**
  - Financial services generates $51MM of revenue
  - Amortization of the Citi agreement generates $57MM of revenue per year (non-cash)
  - Citi card agreement also saves ~$45MM of interchange fees which are not included as part of the business unit's EBITDA (included in SHC/store financials)

## Revenue by Segment

### Store Related Revenue (2)




### Non-Pass Through Revenue




FY 2019E Revenue: $107MM Revenue

## FY2019 Forecasted Financials

| ($ in MM) | Feb 2019 | Mar 2019 | Apr 2019 | May 2019 | Jun 2019 | Jul 2019 | Aug 2019 | Sep 2019 | Oct 2019 | Nov 2019 | Dec 2019 | Jan 2020 | FY2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | $3 | $4 | $3 | $4 | $5 | $4 | $4 | $4 | $3 | $5 | $7 | $4 | $51 |
| Non-Cash Citi Agreement Revenue | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 57 |
| **Total Revenue** | **$8** | **$9** | **$8** | **$9** | **$10** | **$8** | **$8** | **$9** | **$8** | **$10** | **$12** | **$9** | **$107** |
| (-) Operating Expenses | (0) | 0 | (0) | (0) | (1) | (0) | (1) | (1) | (0) | (1) | (1) | (0) | (5) |
| **EBITDA** | **$8** | **$9** | **$8** | **$8** | **$9** | **$8** | **$8** | **$8** | **$8** | **$9** | **$11** | **$8** | **$102** |

(1) See detailed breakdown below in "Business Overview"
(2) Revenue by segment based on LTM revenue as reported by the Company
(3) Net of $5MM of operating expenses

**[DRAFT – Subject to Review]**

# Same-store sales comps improved significantly prior to the Chapter 11 filing

## Initiatives by Segment

### Softlines Initiatives

- ShopYourWay cashback offers are underway, plus prices have been adjusted upwards by lowering promotional marketing dollars to fund points and improve margin dollars
- Adjusting pricing further to lower promotional depth due to increased demand driven by SYW Points to improve margin dollars

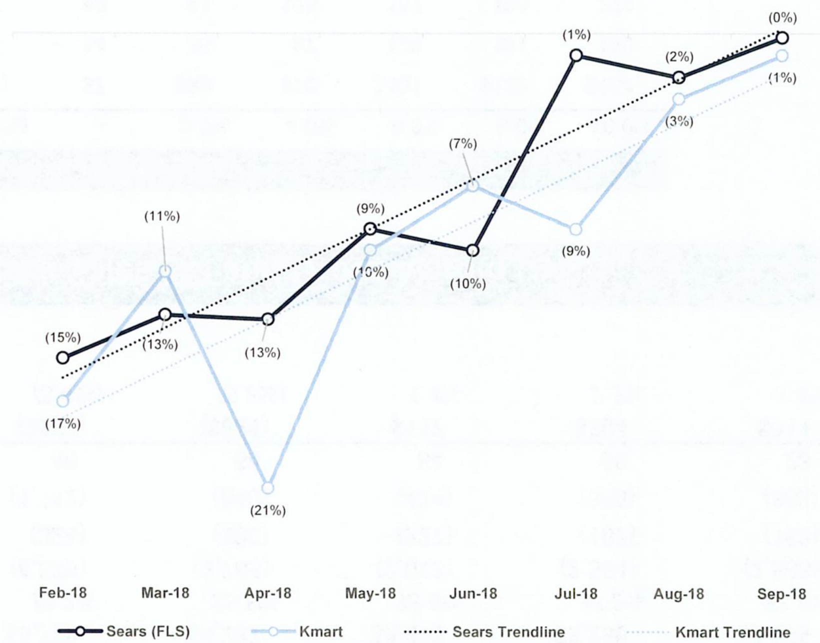



### Hardlines Initiatives

- Investment in digital marketing (e.g. search engine marketing, data-feeds, affiliates, retargeting)
- Free delivery
- "Mores of Kenmore"
- Creative offers (e.g. bundled promotions; value-positioned product upgrades, etc.)
- Launch of "leasing online"
- Increased focus on shopping recaps (e.g. "abandoned carts" in store to drive purchase online after store visit)
- Leverage of Home Services data to find potential future home appliance buyers (e.g. higher frequency of service on existing old appliances and declined service estimates / quotes)
- Increased television marketing spend




## 2018 YTD Same Store Sales Comps (% change)(1)




(1) Same-store comps based on Company data; includes online and Sears Auto, and is adjusted for the retail week calendar

**[DRAFT – Subject to Review]**

# With modest same-store sales growth from post-filing levels, SHC can return to operating profitability in 2019…

## Consolidated Historical and Projected Financials

| *($ in MM)* | 2015A | 2016A | 2017A | 2018E [1] | 2019E | 2020E | 2021E |
|---|---|---|---|---|---|---|---|
| *Same Store Sales Comps (%)* [2] | *(8.0%)* | *(7.7%)* | *(14.3%)* | *(7.9%)* | *(2.4%)* | *2.7%* | *3.5%* |
| **Revenue** | **$24,533** | **$21,543** | **$16,248** | **$11,846** | **$8,553** | **$8,742** | **$9,172** |
| (-) COGS | (16,272) | (14,312) | (10,525) | (7,609) | (5,255) | (5,491) | (5,773) |
| **Gross Margin** | **$8,262** | **$7,230** | **$5,723** | **$4,237** | **$3,298** | **$3,250** | **$3,399** |
| *Margin (%)* | *33.7%* | *33.6%* | *35.2%* | *35.8%* | *38.6%* | *37.2%* | *37.1%* |
| (-) Operating Expenses | (7,005) | (6,240) | (4,889) | (3,765) | (2,613) | (2,554) | (2,586) |
| (-) Supply Chain & Logistics | (483) | (389) | (326) | (300) | (227) | (187) | (163) |
| (-) Home Office SG&A | (1,642) | (1,434) | (1,112) | (848) | (424) | (355) | (362) |
| (+) SHC Level PA EBITDA Adjustment [3] | 33 | 36 | 46 | 54 | 84 | 50 | 23 |
| **EBITDA** | **($836)** | **($798)** | **($557)** | **($621)** | **$117** | **$204** | **$311** |
| *Margin (%)* | *(3.4%)* | *(3.7%)* | *(3.4%)* | *(5.2%)* | *1.4%* | *2.3%* | *3.4%* |

## 2019E EBITDA Sensitivity to Retail Same Store Sales (%) and Gross Margin (%)

| Margin Expansion (bps) | Same Store Sales Growth / (Decrease) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (10.0%) | (8.0%) | (6.0%) | (4.0%) | (2.4%) | (2.0%) | – | 2.0% | 4.0% | 6.0% | 8.0% | 10.0% |
| – | ($149) | ($118) | ($86) | ($55) | ($30) | ($24) | $7 | $39 | $70 | $101 | $132 | $164 |
| 50 | (125) | (93) | (61) | (30) | (4) | 2 | 34 | 66 | 97 | 129 | 161 | 193 |
| 100 | (101) | (69) | (36) | (4) | 22 | 28 | 60 | 93 | 125 | 157 | 190 | 222 |
| 150 | (77) | (44) | (12) | 21 | 48 | 54 | 87 | 120 | 153 | 185 | 218 | 251 |
| 200 | (53) | (20) | 13 | 47 | 73 | 80 | 113 | 147 | 180 | 214 | 247 | 280 |
| 250 | (30) | 4 | 38 | 72 | 99 | 106 | 140 | 174 | 208 | 242 | 276 | 310 |
| 280 | (13) | 21 | 55 | 90 | $117 | 124 | 158 | 192 | 227 | 261 | 295 | 329 |
| 300 | (6) | 29 | 63 | 98 | 125 | 132 | 167 | 201 | 235 | 270 | 304 | 339 |

(1) YTD 9-month actuals through October 2018
(2) Go-forward 505 stores only. Excludes Sears Auto Centers.
(3) SHC level EBITDA adjustment related to the protection agreement business

**[DRAFT – Subject to Review]**

# Retail, Home Services, and Financial Services drive profitability

## Business Unit Historical and Projected Financials

| ($ in MM) | 2015A | 2016A | 2017A | 2018E [1] | 2019E | 2020E | 2021E |
|---|---|---|---|---|---|---|---|
| **Retail (4-Wall + Online + SYW)** | | | | | | | |
| Revenue | $21,381 | $18,492 | $13,531 | $9,140 | $6,265 | $6,318 | $6,437 |
| Gross Margin | 6,541 | 5,476 | 4,119 | 2,629 | 1,868 | 1,933 | 2,056 |
| EBITDA | 959 | 628 | 531 | 233 | 329 | 360 | 444 |
| **Home Services [2]** | | | | | | | |
| Revenue | $2,139 | $2,159 | $1,953 | $1,749 | $1,681 | $1,573 | $1,593 |
| Gross Margin | 1,582 | 1,592 | 1,433 | 1,251 | 1,237 | 1,107 | 1,099 |
| EBITDA | 195 | 266 | 222 | 126 | 242 | 208 | 210 |
| **Financial Services** | | | | | | | |
| Revenue | $66 | $68 | $74 | $107 | $107 | $101 | $102 |
| EBITDA | 55 | 59 | 68 | 99 | 102 | 97 | 97 |
| **Other Businesses** | | | | | | | |
| Kenmore / Craftsman / DieHard EBITDA | $11 | $11 | ($2) | ($6) | $14 | $34 | $64 |
| Monark EBITDA | 7 | 3 | 3 | 1 | (3) | (2) | (1) |
| **Overhead and Adjustments** | | | | | | | |
| Home Office / Corporate SG&A | ($1,642) | ($1,434) | ($1,112) | ($848) | ($424) | ($355) | ($362) |
| Supply Chain and Innovel | (483) | (389) | (326) | (300) | (227) | (187) | (163) |
| PA Corporate Level EBITDA Adjustment [3] | 33 | 36 | 46 | 54 | 84 | 50 | 23 |
| Other Adjustments | 29 | 23 | 13 | 19 | – | – | – |
| **Total SHC EBITDA** | **($836)** | **($798)** | **($557)** | **($621)** | **$117** | **$204** | **$311** |
| **Retail EBITDA Detail** | | | | | | | |
| 505 Store Go-Forward 4-Wall EBITDA | $338 | $162 | $135 | $35 | $87 | $109 | $182 |
| All Other 4-Wall EBITDA+ Online | 81 | (144) | (84) | (140) | 9 | 11 | 13 |
| Vendor Discounts & Other Adjustments | 239 | 304 | 238 | 183 | 89 | 91 | 93 |
| Sears Auto Center EBITDA | 152 | 117 | 83 | 50 | 41 | 43 | 46 |
| ShopYourWay EBITDA | 149 | 190 | 160 | 105 | 102 | 105 | 109 |
| **Total Retail EBITDA** | **$959** | **$628** | **$531** | **$233** | **$329** | **$360** | **$444** |

(1) YTD 9-month actuals through October 2018
(2) Excludes SHIP in forecast; SHIP EBITDA was ($0.7)MM, $17.1MM and $19.0MM in 2015, 2016, and 2017, respectively
(3) SHC level EBITDA adjustment related to the protection agreement business

**[DRAFT – Subject to Review]**

# Working Draft / Preliminary FY2019E Monthly Budget

## Working Draft / Preliminary FY2019E Monthly Budget

| | 2019E Monthly Budget | | | | | | | | | | | | 2019E | 2020E | 2021E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *($ in MM)* | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Total | Total | Total |
| **Retail (4-Wall + Online + SYW)** | | | | | | | | | | | | | | | |
| *Same Store Sales (% Change)* | *(3.1%)* | *(3.3%)* | *(4.0%)* | *(3.8%)* | *(5.0%)* | *(4.6%)* | *(4.1%)* | *(4.9%)* | *(0.6%)* | *1.0%* | *1.1%* | *(0.3%)* | *(2.4%)* | *2.7%* | *3.5%* |
| Revenue | $412 | $530 | $417 | $499 | $607 | $431 | $459 | $526 | $401 | $627 | $863 | $498 | $6,270 | $6,456 | $6,697 |
| Gross Margin | 118 | 160 | 141 | 157 | 183 | 138 | 125 | 149 | 128 | 176 | 264 | 128 | 1,868 | 1,933 | 2,056 |
| EBITDA | 0 | 29 | 30 | 39 | 48 | 21 | 8 | 17 | 9 | 37 | 103 | (12) | 329 | 360 | 444 |
| **Home Services** | | | | | | | | | | | | | | | |
| Revenue | $127 | $160 | $131 | $133 | $166 | $135 | $132 | $162 | $125 | $126 | $155 | $129 | $1,681 | $1,573 | $1,593 |
| Gross Margin | 94 | 119 | 95 | 96 | 120 | 97 | 95 | 119 | 95 | 94 | 116 | 96 | 1,237 | 1,107 | 1,099 |
| EBITDA | 19 | 27 | 18 | 18 | 22 | 18 | 17 | 24 | 18 | 17 | 22 | 20 | 242 | 208 | 210 |
| **Financial Services** | | | | | | | | | | | | | | | |
| Revenue | $3 | $4 | $3 | $4 | $5 | $4 | $4 | $4 | $3 | $5 | $7 | $4 | $107 | $101 | $102 |
| EBITDA | 8 | 9 | 8 | 8 | 9 | 8 | 8 | 8 | 8 | 9 | 11 | 8 | 102 | 97 | 97 |
| **Other Businesses** | | | | | | | | | | | | | | | |
| Kenmore / Craftsman / DieHard EBITDA | $1 | $1 | $1 | $1 | $1 | $1 | $1 | $1 | $1 | $1 | $1 | $1 | $14 | $34 | $64 |
| Monark EBITDA | (1) | 0 | (1) | (1) | (0) | 0 | 0 | 1 | (1) | (0) | (0) | (0) | (3) | (2) | (1) |
| **Overhead and Adjustments** | | | | | | | | | | | | | | | |
| Home Office / Corporate SG&A | (43) | (42) | (41) | (41) | (41) | (36) | (30) | (31) | (30) | (29) | (30) | (29) | (424) | (355) | (362) |
| Supply Chain and Innovel | (23) | (18) | (22) | (21) | (16) | (19) | (19) | (16) | (23) | (22) | (11) | (17) | (227) | (187) | (163) |
| PA Corporate Level EBITDA Adjustment (1) | 8 | 10 | 7 | 7 | 9 | 7 | 6 | 8 | 6 | 6 | 7 | 5 | 84 | 50 | 23 |
| **Total SHC EBITDA** | **($30)** | **$15** | **($0)** | **$11** | **$32** | **$0** | **($9)** | **$12** | **($12)** | **$18** | **$103** | **($24)** | **$117** | **$204** | **$311** |
| **Retail EBITDA Detail** | | | | | | | | | | | | | | | |
| Brick and Mortar 4-Wall EBITDA | ($15) | $6 | $13 | $18 | $23 | $3 | ($12) | ($4) | ($2) | $15 | $72 | ($30) | $87 | $109 | $182 |
| Vendor Discounts & Other Adjustments | 6 | 7 | 5 | 7 | 8 | 6 | 7 | 7 | 6 | 9 | 13 | 8 | 89 | 91 | 93 |
| Sears Auto Center EBITDA | 3 | 4 | 3 | 3 | 4 | 3 | 4 | 3 | 4 | 3 | 5 | 4 | 41 | 43 | 46 |
| Online EBITDA | 1 | 0 | 3 | 5 | 3 | 2 | 2 | 1 | (4) | 2 | (4) | (1) | 9 | 11 | 13 |
| ShopYourWay EBITDA | 6 | 12 | 6 | 7 | 10 | 7 | 7 | 9 | 6 | 8 | 17 | 7 | 102 | 105 | 109 |
| **Total Retail EBITDA** | **$0** | **$29** | **$30** | **$39** | **$48** | **$21** | **$8** | **$17** | **$9** | **$37** | **$103** | **($12)** | **$329** | **$360** | **$444** |

Refer to page 16 for transition risks and upsides to the preliminary FY2019 plan

(1) SHC level EBITDA adjustment related to the protection agreement business.

[DRAFT – Subject to Review]

# 1H 2019 risks associated with filing-driven headwinds also present potential upside for outperformance vs. plan in 2H 2019

| 2019 Business Risks & Opportunities | Q1 2019 | Q2 2019 | Q3 2019 | Q4 2019 |
|---|---|---|---|---|
| Risks | • Spring seasonal inventory purchasing has been limited during the bankruptcy period. Given large lead times, the Company may have potential in-stock issues on seasonal products<br>• Consumer confidence overhang on appliance sales as Sears needs to win back the member base | • During bankruptcy, Spring / Summer inventory orders were limited, which could have a negative impact to the in-stock rate during the quarter<br>• Will be difficult to replicate post Hurricane Maria sales levels in offshore stores given the significant demand created from destruction of personal property | • Potential issues with Fall / Winter supply if the Company does not purchase adequate levels in early 2019<br>• Continued potential overhang in offshore stores affected by Hurricane Maria | • Limited risk given Q4 2018 faced bankruptcy headwinds, vendor constraints, limited liquidity, and damaged consumer confidence. Expect the Company to perform strongly if given adequate time to plan inventory buys and sufficient capital to invest |
| Opportunities | • Opportunity to negotiate better terms with vendors than were seen prior to filing where a significant portion of major vendors were CIA<br>• Merchants could pursue opportunities to source seasonal goods domestically with shorter lead times | • Large opportunity to push appliance sales and win back members with significant marketing campaigns for 4th of July – historically a large appliance sales weekend<br>• Lower Spring / Summer seasonal inventory levels create opportunity to see lower markdowns during the quarter<br>• Large opportunity to have completed filling vacant positions and stabilize the workforce | • The Company is annualizing Q3 2018 which had a relatively worse-than-normal product offering due to cash constraints in June 2018 as liquidity began to tighten<br>• Lower Spring / Summer seasonal inventory levels create opportunity to see lower markdowns in September | • Company should see significant growth off of Q4 2017, which experienced significant headwinds from vendor issues and limited consumer confidence<br>• Opportunity to see growth in Protection Agreement sales as the Company was unable to sell the product in 34 states for a period of time<br>• Company will be lapping Q4 2018 which had lower marketing spend due to bankruptcy liquidity constraints |

# III. Our Go-Forward Initiatives

[DRAFT – Subject to Review]

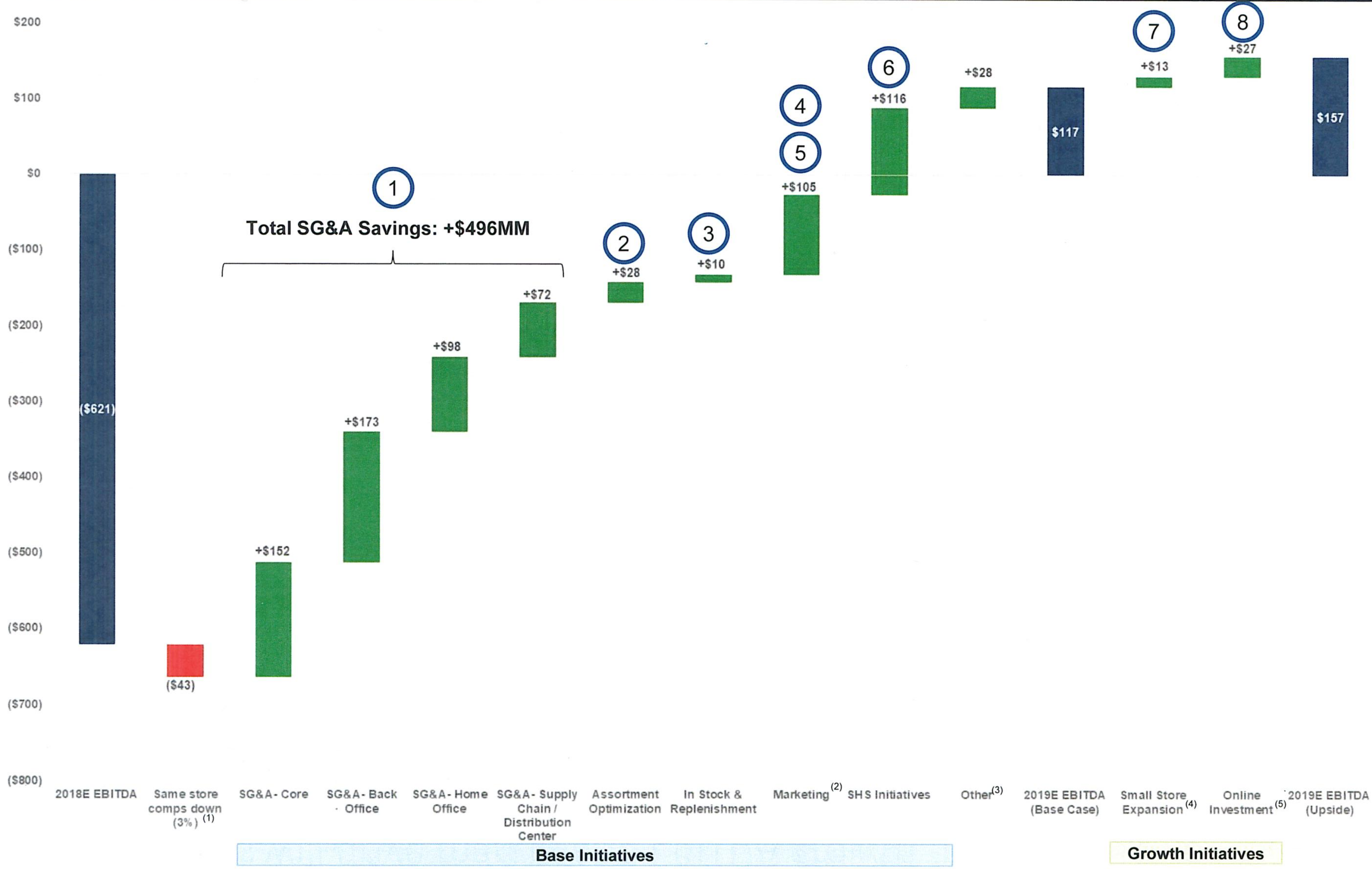
# Key initiatives will drive margin and EBITDA growth from FY2018 to FY2019

| Initiative | Description |
|---|---|
| **Base Case Forecast** | |
| 1 **SG&A:** | ▪ Initiatives to reduce corporate SG&A expense from ~$1.2BN to an annual run-rate of ~$700MM by the end of 2019 and $577MM by the end of 2021<br>▪ Payroll reductions on over 1,000 positions in November – and planned reductions of over 1,400 positions in January<br>▪ >$250MM in non-payroll reductions focused in marketing, IT, contracts, and professional services across back-office groups<br>▪ Supply chain costs reduced by $73MM through a reduction in non-core distribution centers |
| 2 **Assortment Optimization:** | ▪ Reduce the number of SKUs across the company – includes better use of distribution center storage and favorable vendor costs<br>▪ Leverage brands between Kmart and Sears formats – includes rollout of Jaclyn Smith and Adam Levine product lines<br>▪ Develop competitor data scraping capabilities to help identify pricing and trend opportunities early on |
| 3 **In Stock & Replenishment:** | ▪ In-stock: continuously improve in-stocks while minimizing non-productive inventory<br>▪ Replenishment: differentiation between basics and seasonal items and implementation of pack/size optimization |
| 4 **Marketing - Traditional:** | ▪ Utilizing "always on" strategy for broadcast / online video to improve unaided consideration scores for hardlines<br>▪ Launch brand equity messaging prior to key promotional selling periods<br>▪ Focus all media buys to go forward store locations |
| 5 **Marketing - Digital ROI:** | ▪ Leverage the online team's tracking and modeling to improve return on investment for the various digital marketing channels |
| 6 **SHS Initiatives:** | ▪ Direct to Consumer ("D2C") – continued technician investment, improved pricing techniques, and optimized marketing efforts<br>▪ Business to Business ("B2B") – improvements to pricing strategy, service quality, and job-completion turnover times<br>▪ PartsDirect website rebuild – enable multi-touch marketing analytics to better understand and improve the customer journey |
| **Upside Growth Scenario** | |
| 7 **Small Store Footprint:** | ▪ Rollout of a modified store model with enhanced customer services capabilities better positioned to cater to local communities |
| 8 **Online Investment:** | ▪ Initiatives include personalization with machine learning, redesign of the website to improve user experience for key categories, and integration of "Marketplace" into core online business strategy |

[DRAFT – Subject to Review]

# Financial impact from key initiatives driving positive EBITDA in FY2019

## EBITDA Bridge from FY2018E to FY2019E




(1) Same-store sales based on pre-bankruptcy 3-month trend from July 2018 – September 2018
(2) Includes $17MM incremental EBITDA from Digital Marketing initiatives, $17MM incremental EBITDA from Traditional Marketing initiatives, and $73MM incremental EBITDA from ShopYourWay Points Reductions
(3) Includes EBITDA impact from other business units, including Financial Services, Kenmore, ShopYourWay, and Sears Auto Center, as well as a reduced store footprint other corporate level adjustments
(4) Based on 44 new stores requiring $64MM of capex; run-rate EBITDA impact will total $18MM in 2020 once fully ramped.
(5) Online growth initiative requires $5mm of upfront one-time capex in 2019 and $7mm of ongoing maintenance capex.

1

**[DRAFT – Subject to Review]**

# SG&A reductions deliver ~$496MM in cuts from FY2018 to FY2019

| | Quarterly Pacing | | | | | Annual | | | | FY2018 to |
|---|---|---|---|---|---|---|---|---|---|---|
| ($ in millions) | Q4 2018 | Q1 2019 | Q2 2019 | Q3 2019 | Q4 2019 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY2019 |
| ***Core (Retailing)*** | | | | | | | | | | |
| Buying Organization | $27 | $20 | $18 | $14 | $14 | $142 | $67 | $58 | $60 | ($75) |
| Retail Services & Online | 22 | 14 | 14 | 14 | 14 | 109 | 57 | 58 | 59 | (52) |
| Marketing[1] | 12 | 5 | 5 | 5 | 5 | 46 | 20 | 21 | 21 | (25) |
| **Total CORE (Retailing)** | **$61** | **$39** | **$37** | **$34** | **$34** | **$297** | **$144** | **$137** | **$140** | **($152)** |
| ***Back Office*** | | | | | | | | | | |
| Legal | 4 | 4 | 4 | 4 | 4 | 37 | 16 | 16 | 16 | (21) |
| Accounting | 5 | 5 | 5 | 5 | 5 | 30 | 19 | 19 | 20 | (11) |
| FP&A | 0 | 0 | 0 | 0 | 0 | 2 | 2 | 2 | 2 | (1) |
| GM Team | 0 | - | - | - | - | 1 | - | - | - | (1) |
| Internal Audit | 0 | 0 | 0 | 0 | 0 | 3 | 1 | 1 | 1 | (2) |
| Procurement | 1 | 0 | 0 | 0 | 0 | 6 | 2 | 2 | 2 | (4) |
| Risk Management | 0 | 0 | 0 | 0 | 0 | 2 | 1 | 1 | 1 | (1) |
| Treasury | 2 | 1 | 1 | 1 | 1 | 11 | 6 | 6 | 6 | (5) |
| Real Estate[2] | 7 | 7 | 7 | 7 | 7 | 33 | 27 | 27 | 28 | (6) |
| HR | 4 | 2 | 2 | 2 | 2 | 32 | 9 | 9 | 9 | (23) |
| IT | 44 | 48 | 43 | 20 | 16 | 216 | 127 | 64 | 65 | (89) |
| Call Centers[3] | 7 | 6 | 6 | 6 | 6 | 35 | 23 | 24 | 24 | (12) |
| Holding Company & Other | 2 | 1 | 1 | 1 | 1 | 3 | 4 | 3 | 3 | 1 |
| **Total Back Office** | **$77** | **$75** | **$70** | **$47** | **$43** | **$409** | **$236** | **$175** | **$178** | **($173)** |
| ***Home Services and Other*** | | | | | | | | | | |
| Home Services | 6 | 6 | 6 | 6 | 6 | 45 | 23 | 23 | 23 | (22) |
| Sears Auto Centers | 1 | 2 | 2 | 2 | 2 | 15 | 7 | 7 | 7 | (8) |
| Kenmore, Craftsman & Diehard | 3 | 2 | 1 | 1 | 1 | 16 | 6 | 5 | 5 | (11) |
| Contract Appliances | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (0) |
| Builder Distributors | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | (1) |
| Connected Living | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 1 | (1) |
| Service Live | 0 | 0 | 0 | 0 | 0 | 2 | 1 | 1 | 1 | (1) |
| Supply Chain Home Office | 3 | 3 | 3 | 3 | 3 | 16 | 12 | 12 | 12 | (5) |
| Shop Your Way | 8 | 5 | 5 | 5 | 5 | 51 | 20 | 20 | 21 | (31) |
| Gross Healthcare & Benefits | 9 | 7 | 6 | 6 | 6 | 43 | 25 | 26 | 26 | (18) |
| **Total HS & Other Businesses** | **$30** | **$24** | **$23** | **$23** | **$23** | **$192** | **$94** | **$94** | **$96** | **($98)** |
| **Total Home Office** | **$168** | **$139** | **$131** | **$104** | **$100** | **$898** | **$474** | **$406** | **$414** | **($423)** |
| Supply Chain DC Operations[4] | 60 | 63 | 56 | 58 | 49 | 300 | 227 | 187 | 163 | (72) |
| **Total** | **$228** | **$202** | **$187** | **$163** | **$149** | **$1,197** | **$701** | **$593** | **$577** | **($496)** |
| *Memo: Bridge to Corporate SG&A* | | | | | | | | | | |
| *Gross Home Office / Corporate SG&A* | | | | | | *898* | *474* | *406* | *414* | *(423)* |
| *(-) SHO and Lands' End Overhead Reimbursement* | | | | | | *(50)* | *(50)* | *(51)* | *(52)* | - |
| *Net Forecasted Home Office / Corporate SG&A* | | | | | | *848* | *424* | *355* | *362* | *(423)* |

(1) All of digital marketing spend is allocated to the stores and reductions are included in the marketing initiatives
(2) Real estate current run-rate removes the $8.9MM EDA tax credit from the city of Hoffman Estates
(3) Primarily composed of online; total reduction as reported by the MSO team
(4) Includes $73.0MM of total internal margin charge from the stores; 2021E includes Innovel estimated 3rd party revenue of $511MM

1

[DRAFT – Subject to Review]

# We have already taken action on over 1,000 total positions (effective November 15th 2018)

*($ in 000s)*

| | Active | | | Open Positions | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| Business | Active | Total Salary | Average Salary | Open | Total Salary | Average Salary | Positions | Total Salary | Average Salary |
| Home Services | 161 | $13,059 | $81 | 4 | $431 | $108 | 165 | $13,490 | $82 |
| Call Centers | 16 | 1,041 | 65 | - | - | NA | 16 | 1,041 | 65 |
| Retail (Central support) | 224 | 10,828 | 48 | 13 | 602 | 46 | 237 | 11,430 | 48 |
| Merchants-Off Price | 8 | 563 | 70 | 4 | 410 | 102 | 12 | 973 | 81 |
| Health and Wellness Solutions | 3 | 474 | 158 | 1 | 105 | 105 | 4 | 579 | 145 |
| Sourcing - US | 1 | 109 | 109 | - | - | NA | 1 | 109 | 109 |
| KCD | 7 | 856 | 122 | 4 | 315 | 79 | 11 | 1,171 | 106 |
| Human Resources | 28 | 1,680 | 60 | 5 | 300 | 60 | 33 | 1,980 | 60 |
| Legal | 20 | 1,804 | 90 | 11 | 987 | 90 | 31 | 2,790 | 90 |
| Finance | 13 | 1,323 | 102 | - | - | NA | 13 | 1,323 | 102 |
| Pricing | 3 | 350 | 117 | - | - | NA | 3 | 350 | 117 |
| Procurement | 16 | 1,357 | 85 | 2 | 250 | 125 | 18 | 1,607 | 89 |
| Asset Profit & Protection | 41 | 2,693 | 66 | 9 | 611 | 68 | 50 | 3,305 | 66 |
| Supply Chain/Innovel - Corp | - | - | NA | - | - | NA | - | - | NA |
| Inventory Mgmt | - | - | NA | 6 | 628 | 105 | 6 | 628 | 105 |
| Marketing/IMX/Studio | 54 | 4,292 | 79 | - | - | NA | 54 | 4,292 | 79 |
| Analytics | 6 | 627 | 105 | 2 | 392 | 196 | 8 | 1,019 | 127 |
| Online | 9 | 934 | 104 | 33 | 1,884 | 57 | 42 | 2,818 | 67 |
| Financial Services | 3 | 450 | 150 | 2 | 156 | 78 | 5 | 606 | 121 |
| Real Estate | 42 | 2,130 | 51 | 4 | 451 | 113 | 46 | 2,581 | 56 |
| Kenmore Direct - CS (Field) | 83 | 2,431 | 29 | 1 | 65 | 65 | 84 | 2,496 | 30 |
| Kenmore Direct - CD (Seattle) | 17 | 1,595 | 94 | - | - | NA | 17 | 1,595 | 94 |
| SYW(1) | 183 | 16,853 | 92 | 1 | 116 | 116 | 184 | 16,969 | 92 |
| MT | - | - | NA | - | - | NA | - | - | NA |
| SHI Analytics | 19 | 815 | 43 | - | - | NA | 19 | 815 | 43 |
| **Total Salary** | **957** | **$66,265** | **$69** | **102** | **$7,702** | **$76** | **1,059** | **$73,967** | **$70** |
| Assumed 14% Avg Benefits | 957 | 9,277 | 10 | 102 | 1,078 | 11 | 1,059 | 10,355 | 10 |
| **Total Salary & Benefits** | **957** | **$75,542** | **$79** | **102** | **$8,781** | **$86** | **1,059** | **$84,323** | **$80** |

(1) SYW has identified 80 positions to be impacted in Israel

[DRAFT – Subject to Review]

1

# Projected key dates and anticipated milestones
## ~1,400 additional positions targeted in January for reduction

**OCTOBER**

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 |
| 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| 21 | 22 | 23 | 24 | 25 | 26 | 27 |
| 28 | 29 | 30 | 31 | | | |

**NOVEMBER**

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | | | | 1 | 2 | 3 |
| 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 11 | 12 | 13 | 14 | 15 | 16 | 17 |
| 18 | 19 | 20 | 21 | 22 | 23 | 24 |
| 25 | 26 | 27 | 28 | 29 | 30 | |

**DECEMBER**

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | | | | | | 1 |
| 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| 16 | 17 | 18 | 19 | 20 | 21 | 22 |
| 23 | 24 | 25 | 26 | 27 | 28 | 29 |
| 30 | 31 | | | | | |

**JANUARY**

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| 20 | 21 | 22 | 23 | 24 | 25 | 26 |
| 27 | 28 | 29 | 30 | 31 | | |

Internal Date

Key Date

| DATE(S) | EVENT |
|---|---|
| October 29 | Commenced wave 1 of store closures (142 stores) ✓ |
| October 30 | Initial SG&A reduction by month due from businesses with by month pacing including any investment if applicable ✓ |
| October 31 | Finalize SG&A reduction plan along with names of any initial cuts to be done before Thanksgiving. HR to begin RIF process ✓ |
| November 2 | HR submission of impacted names to Legal for review ✓ |
| November 8 | Potential buyer to notify which stores to purchase. All other stores to commence closure process ✓ |
| November 14 & 15 | SG&A wave 1 employee notices ✓ |
| November 15 | Commenced wave 2 of store closures (40 stores) ✓ |
| November 30 | SG&A wave 2 names of cuts due to HR ✓ |
| January 17 | SG&A wave 2 reduction targeted to ~1,400 positions |

2

**[DRAFT – Subject to Review]**

# Assortment optimization will deliver $28MM in incremental EBITDA in FY2019 (and up to $67MM by 2021)

## Key Objectives

**Reduce the number of SKUs across the company**

- Reduce inventory levels at end of the season
- Optimize the fabric use through creation of a fabric library
- Leverage distribution storage capacity
- Negotiate better Free on Board ("FOB") costs with vendors
  - Apparel and footwear divisions reduced their respective SKU numbers by 31% in 2018 and 33% in 2017
  - 2019 SKU reduction is projected at 20%
  - Reduced FOB by $110MM since end of 2016 by moving receipt from domestic to import and increasing sourcing mix of Bangladesh and India
  - Reduced markdown liability by $120MM in 2018

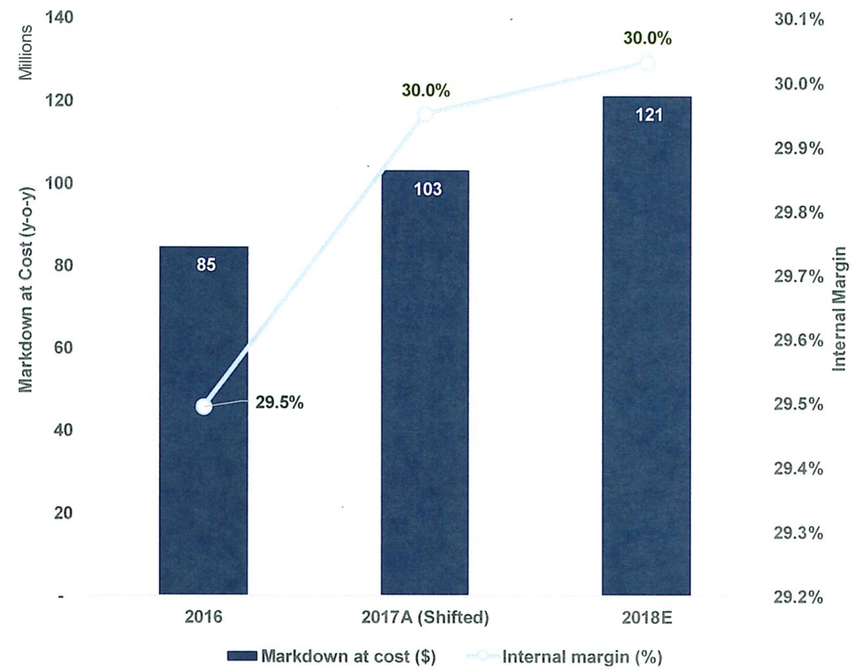
**Leverage Brands between Kmart and Sears formats**

- Expand Jaclyn Smith to Sears stores → started this year
- Expand Adam Levine to Sears → planning to be fully rolled out planned by end of 2018
- Simply Style moved from Sears to Kmart in Q3
- Plan to expand outdoor life to Kmart in early Q1

**Develop competitor data scraping capabilities**

- Leverage price opportunity by product category
- Identify color, style gap earlier in the season

## Year Over Year Markdown Improvement (Softlines)




## Financial Impact

| ($ in millions) | Feb 2019 | Mar 2019 | Apr 2019 | May 2019 | Jun 2019 | Jul 2019 | Aug 2019 | Sep 2019 | Oct 2019 | Nov 2019 | Dec 2019 | Jan 2020 | FY 2019 | FY 2020 | FY 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **New Revenue** | $5 | $6 | $4 | $7 | $7 | $4 | $6 | $8 | $7 | $13 | $14 | $6 | $86 | $155 | $210 |
| (-) Required Incremental COGS | ($3) | ($4) | ($2) | ($4) | ($4) | ($2) | ($4) | ($5) | ($4) | ($8) | ($8) | ($4) | ($52) | ($93) | ($126) |
| **Gross Margin** | **$2** | **$2** | **$2** | **$3** | **$3** | **$2** | **$2** | **$3** | **$3** | **$5** | **$6** | **$2** | **$34** | **$28** | **$50** |
| **Operating Expense** | | | | | | | | | | | | | | | |
| (-) Variable cost 8% | ($0) | ($0) | ($0) | ($1) | ($1) | ($0) | ($0) | ($1) | ($1) | ($1) | ($1) | ($0) | ($7) | ($12) | ($17) |
| **(-) Required Incremental Operating Expense** | **($0)** | **($0)** | **($0)** | **($1)** | **($1)** | **($0)** | **($0)** | **($1)** | **($1)** | **($1)** | **($1)** | **($0)** | **($7)** | **($12)** | **($17)** |
| Initiative EBITDA | $2 | $2 | $1 | $2 | $2 | $1 | $2 | $2 | $2 | $4 | $5 | $2 | $28 | $50 | $67 |
| *Margin (%)* | *32%* | *32%* | *32%* | *32%* | *32%* | *32%* | *32%* | *32%* | *32%* | *32%* | *32%* | *32%* | *32%* | *32%* | *32%* |

3

[DRAFT – Subject to Review]

# In-stock & replenishment initiative will deliver $10MM in incremental EBITDA in FY2019 (and up to $22MM by 2021)

## Key Objectives

| | |
|---|---|
| Objective | • Continuously improve in-stocks while minimizing non-productive inventory<br>• 95% in-stock goal by store & product vs ~92% currently<br>• 52-week rolling forecast and refined planning algorithms |
| Initiatives | • Lost Sales Reduction: Lost sales improvement realized in both basic and seasonal areas through improved demand forecasting<br>• Reduction of Aged Inventory: Aged inventory including inventory greater than 80 days ("GT80") will be reduced, specifically demand forecasting improvement and incremental single item replenishment exposure<br>• Supply Chain Savings: Single item replenishment are balanced with the costs of picking vs replenishing size packs |
| Impacts | • Gains realized in basic replenishment and seasonal product<br>• Basics split between two tracks to accommodate packaging and replenishment differences<br>• Seasonal product focus will be on flowing product to maximize sales and minimize markdowns<br>• Pack size optimization enhances size; improvements to assortment mix<br>• EBITDA is compressed due to high distribution center costs from size pack to SIR (17% today)<br>• Single apparel distribution center with pick and pack will reduce costs to 5% |

## Select 2018 Weekly In-stock Rates

| Format | In-stock Type | Week | In-stock Rate |
|---|---|---|---|
| **Apparel** | | | |
| Kmart | Basics | 3 | 94.9% |
| Sears | Basics | 3 | 93.4% |
| Kmart | Basics | 29 | 93.7% |
| Sears | Basics | 29 | 92.2% |
| Kmart | Footwear | 29 | 92.3% |
| Sears | Footwear | 29 | 94.9% |
| Kmart | Spring / Summer | 6 | 90.0% |
| Sears | Spring / Summer | 6 | 96.1% |
| **Footwear** | | | |
| Kmart | Basics | 3 | 78.9% |
| Sears | Basics | 3 | 80.1% |
| Kmart | Basics | 29 | 87.3% |
| Sears | Basics | 29 | 86.7% |
| Kmart | Footwear | 29 | 97.0% |
| Sears | Footwear | 29 | 98.2% |
| Kmart | Spring / Summer | 6 | 89.1% |
| Sears | Spring / Summer | 6 | 98.2% |

## Financial Impact

| *($ in millions)* | Feb 2019 | Mar 2019 | Apr 2019 | May 2019 | Jun 2019 | Jul 2019 | Aug 2019 | Sep 2019 | Oct 2019 | Nov 2019 | Dec 2019 | Jan 2020 | FY 2019 | FY 2020 | FY 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **New Revenue** | $1 | $1 | $2 | $3 | $4 | $3 | $3 | $4 | $5 | $7 | $12 | $3 | $48 | $64 | $67 |
| (-) Required Incremental COGS | ($0) | ($1) | ($1) | ($2) | ($3) | ($2) | ($2) | ($2) | ($3) | ($4) | ($7) | ($2) | ($30) | ($40) | ($42) |
| **Gross Margin** | **$0** | **$0** | **$1** | **$1** | **$2** | **$1** | **$1** | **$1** | **$2** | **$3** | **$4** | **$1** | **$18** | **$42** | **$67** |
| **Operating Expense** | | | | | | | | | | | | | | | |
| (-) Initiative Support Cost | ($0) | ($0) | ($0) | ($1) | ($1) | ($0) | ($0) | ($1) | ($1) | ($1) | ($2) | ($0) | ($8) | ($3) | ($3) |
| **(-) Required Incremental Operating Expense** | **($0)** | **($0)** | **($0)** | **($1)** | **($1)** | **($0)** | **($0)** | **($1)** | **($1)** | **($1)** | **($2)** | **($0)** | **($8)** | **($3)** | **($3)** |
| Initiative EBITDA | $0 | $0 | $0 | $1 | $1 | $1 | $1 | $1 | $1 | $1 | $2 | $1 | $10 | $21 | $22 |
| *Margin (%)* | *20%* | *20%* | *20%* | *20%* | *20%* | *20%* | *20%* | *20%* | *20%* | *20%* | *20%* | *33%* | *21%* | *33%* | *33%* |

2 3

[DRAFT – Subject to Review]

# Example: Apparel and Footwear have demonstrated a major turnaround over the past 18 months

**YTD Business Operating Profit Up $80MM vs. Adjusted LY and 2017 up $300MM Over 2016**

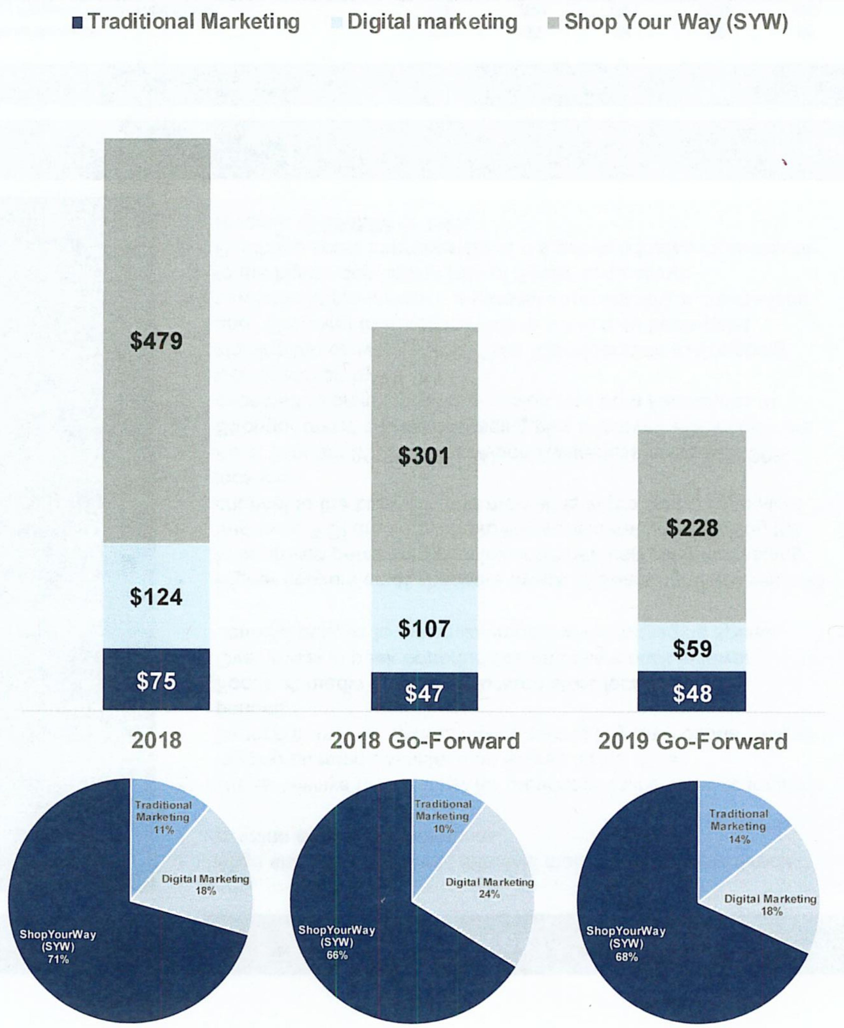
- **Right size of the buy**
  - Discipline around seasonal buys; by category and by store
  - Sales plan target communicated to merchandising team ahead of the overseas buying trip
  - Simulation done by finance on expected in-season and post-season revenue and margin for each of the divisions and total business units
  - $64MM in lower markdowns vs. last year at the end of October
- **Assortment rationalization and brand consolidation**
  - Number of SKUs has been reduced by 31% in FW18 vs. FW17 and by 61% vs 2016
  - Brand consolidation or expansion since we merged buying teams serving both Sears and Kmart in July 2017
  - Jaclyn Smith brand at Kmart rolled out to Sears
  - Key sellers rolled out into both formats (Basic Edition from Kmart into Sears)
- **Product cost savings**
  - $12MM FOB savings in 2018 on top of $80MM in 2017 as a result of moving from domestic to import vendors
  - Receipts moved from 30% import to 60% vs. domestic from 2016 to 2018
  - Built cross-sourcing capabilities, including vendor's direct design
- **Execution excellence**
  - Implemented forecast by product and store by week since 2017
  - Put in place drilled-down reporting capabilities by key demographic, store, product, and day to identify exceptions and drive replenishment actions and inform allocation
  - Weekly trading meeting focused on immediate actions based on last week's results including members, store, pricing, inventory, and sourcing metrics
  - Implemented competitor data tool in order to identify assortment gap and pricing opportunities

4

[DRAFT – Subject to Review]

# Marketing spend to be reduced by ~30%; emphasis will be on ROI

## Marketing Spend by Category




## Planned Drop in Total Marketing Spend

($ in MM)

| | | Go Forward Strategy | | 2019 versus 2018[2] | | |
|---|---|---|---|---|---|---|
| | 2018 | 2018 | 2019 | Reduction in Spend | Incr. GM Impact[5] | Impact to EBITDA |
| Traditional marketing | $75 | $47 | $48 | ($1) | $16 | $15 |
| Digital marketing | 124 | 107 | 59 | $49 | ($32) | $17 |
| ShopYourWay (SYW) | 479 | 301 | 228 | $73 | $0 | $73 |
| **Total marketing spend** | $679 | $455 | $335 | $121 | ($16) | $105 |
| *Growth Y-o-Y (%)* | *NM* | *(33%)* | *(26%)* | | | |
| *Marketing / sales (%)* | *8%* | *8%* | *6%* | | | |

*Marketing spend is planned to drop both on a dollar basis and as a percentage of sales, however, the marketing budget will be re-balanced with a stronger emphasis and focus on improving ROI*

## Cost Allocation Process (2019 Go-Forward)[1,3]

| | |
|---|---|
| Traditional Marketing → | $48MM (100%) booked to stores |
| Digital Marketing → | $59MM (100%) booked to stores[4] |
| ShopYourWay (SYW) → | $228MM (100%) booked to cost of goods sold |

(1) Go-forward refers to remaining 505 stores
(2) Comparison versus 2018 estimates based on go-forward store count
(3) Allocated dollar amount determined by corresponding percentage times planned annual spend; differences may arise due to rounding
(4) Historically, ~40% of digital marketing spend was booked to Stores, while ~60% was booked to SG&A
(5) Refers to "Incremental Gross Margin Impact" which includes the impact to both sales and COGS

4

**[DRAFT – Subject to Review]**

# Traditional marketing refocuses on high impact ROI spend to drive profitability

## Key Objectives

**Objective**

- Align and synergize most effective marketing channels directed to value enhancing categories

**Initiatives**

- Utilize "always on" strategy for broadcast/online video to improve lagging unaided consideration scores for hardlines
- Launch brand equity messaging prior to key promotional selling periods
- Focus all media buys to go forward store locations
- Over invest in peak opportunities and scale back in lower demand periods to maximize impact while managing spend

**Impacts**

- Higher conversion of shoppers aware of Sears hardlines will lead to improved performance of lower funnel marketing messaging
- Improved ROI driven by improving consideration, matching the channel to the business and marketing in proximity of the store locations
- As of January 2017, Sears' Aided Awareness score was 90%
- Stronger brand equity messaging plus improved efficiencies are expected to drive higher conversion rate from Awareness to Consideration by +0.8%
- Holding the conversion rate from "Consideration to Shopping" and "Shopping to Purchase" will result in a 40 basis point purchase improvement – a modest improvement in comparison to the higher conversion rate of Sears' competitors
- Purchase score improvement of 0.4 points equates incremental revenue of $56MM or 1.4%

## Impact from Marketing Efforts to Select KPIs(1)

| | Current | *Change* | 2019 |
|---|---|---|---|
| Aided Awareness | 90 | | 90 |
| *Conversion* | 58% | *80 bps* | 59% |
| Aided Consideration | 52.2 | *0.7* | 52.9 |
| *Conversion* | 60% | | 60% |
| Shopping (6 mo. Period) | 31.3 | *0.4* | 31.7 |
| *Conversion* | 84% | | 84% |
| Purchase (6 mo. Period) | 26.3 | *0.4* | 26.7 |
| Incremental Sales Impact | | *140 bps* | |

## Financial Impact

| *($ in millions)* | Feb 2019 | Mar 2019 | Apr 2019 | May 2019 | Jun 2019 | Jul 2019 | Aug 2019 | Sep 2019 | Oct 2019 | Nov 2019 | Dec 2019 | Jan 2020 | FY 2019 | FY 2020 | FY 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **New Revenue** | $4 | $5 | $4 | $5 | $6 | $4 | $4 | $5 | $4 | $6 | $8 | $3 | $56 | $56 | $56 |
| (-) Required Incremental COGS | ($3) | ($3) | ($3) | ($3) | ($4) | ($3) | ($3) | ($3) | ($3) | ($4) | ($5) | ($2) | ($40) | ($40) | ($40) |
| **Gross Margin** | **$1** | **$1** | **$1** | **$1** | **$2** | **$1** | **$1** | **$1** | **$1** | **$2** | **$2** | **$1** | **$16** | **$16** | **$16** |
| **Operating Expense** | | | | | | | | | | | | | | | |
| (-) Traditional Marketing | ($2) | $2 | $1 | ($1) | ($0) | ($0) | $1 | $3 | $0 | ($2) | ($3) | ($1) | ($1) | ($1) | ($1) |
| **(-) Required Incremental Operating Expense** | **($2)** | **$2** | **$1** | **($1)** | **($0)** | **($0)** | **$1** | **$3** | **$0** | **($2)** | **($3)** | **($1)** | **($1)** | **($1)** | **($1)** |
| Initiative EBITDA | ($0) | $3 | $2 | $0 | $1 | $1 | $2 | $4 | $1 | $0 | ($1) | $0 | $15 | $15 | $15 |
| *Margin (%)* | *(12%)* | *64%* | *65%* | *1%* | *25%* | *21%* | *49%* | *88%* | *37%* | *2%* | *(9%)* | *6%* | *26%* | *26%* | *26%* |

(1) Data source from Ipsos ASI Marcom Tracker; key performance indicators ("KPIs") are scored based on participant responses from surveys / polls (out of 100)

4

[DRAFT – Subject to Review]

# Traditional marketing transitioning to cohesive company strategy vs. individual business unit approach

## 2018 Traditional Marketing Strategy: Traffic and Conversion Improvement

| 2018 | 2019 |
|---|---|
| Separate TV campaigns for mattress and home appliances for national holidays. Not synergistic, did not build the Sears/Kmart brands<br>▪ 30" Home Appliance spot was 60% more effective than a 15" spot but the cost was 100% more reducing the ROI | Portfolio campaigns will achieve efficiencies – delivering a more holistic message on promotional offers and build the brands<br>▪ Portfolio campaign of mattresses, appliances, and home services costs partially offset by vendor funding will improve ROI |
| Marketing support 'on-and-off' throughout the year driven by peaks and troughs of events, seasons and BU priorities | Deploy an 'always-on' support plan focused on TV for Home Appliances supported by other various media channels<br>▪ Provide seasonal support (e.g. spring apparel, outdoor living in May/June) |
| 2 FSI's (vendor funded) + a circular for each national holiday<br>▪ Pure transactional messaging, no Sears/Kmart brand building<br>Circulars deployed during national holiday events supporting big ticket products (focus on home appliances)<br>▪ Presidents Day, Black Friday, etc. | Deploy circular strategy during high traffic periods to draw high frequency shoppers in apparel and adjacency categories<br>▪ Transactional offers underpinned by Sears/Kmart brand sentiment message<br>▪ Use vendor funds as contribution to a holistic circular |
| Kmart media was earmarked but was reduced during the year | For Kmart, support high traffic periods with broadcast media which have historically delivered high ROI |
| Did not monetize marketing assets by seeking sponsor funding from vendors, service providers and 3rd parties<br>▪ Did not treat marketing collateral as a valuable marketing channel to monetize | Dedicate a focused effort framing-up a value proposition as rationale for vendor funding<br>▪ Featured products in circulars, coupon drops in e-commerce boxes etc. |

**In 2019 all elements of the marketing mix will be connected by a cohesive brand strategy to build brand sentiment for Sears and Kmart vs. in 2018 marketing was fragmented by being conducted at a business unit level**

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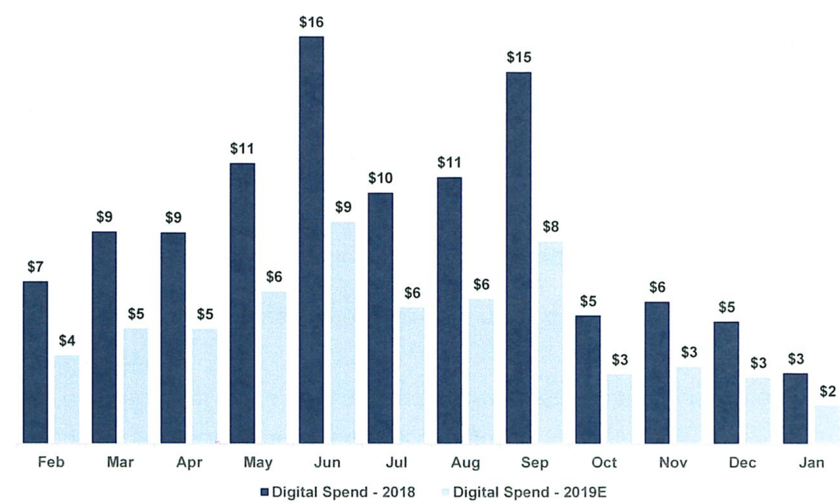
[DRAFT – Subject to Review]

# Digital marketing drives profitability by eliminating low ROI spend

## Key Objectives

| | |
|---|---|
| **Objective** | • Increase incremental revenue generated from our paid digital channels while increasing efficiency and improving ROI<br>• Develop a consistent operating focus on visits, conversion rate, and average order value |
| **Initiatives** | • Take a greater omnichannel approach to concentrate on personalization, maximizing efficiency, and channel diversification to drive incremental revenue and drive return on investment<br>• Use automation, audience implementation, attribution to optimize spend efficiency, and diversification of revenue streams with additional partners to drive incremental revenue and margin<br>• Identify the most critical drop-offs in the online conversion funnel and deliver simplified experiences that reduce friction and increase conversion rate<br>• Battle the increased costs associated with digital marketing along with declining web traffic by leveraging search engine optimization ("SEO") which aims to improve traffic by deploying optimized metadata, structural fixes and content enhancements targeted to Sears' best categories |
| **Impacts** | • Spend on digital marketing will be filtered based an ROI threshold, which should cause a slight decline in revenue that will be more than offset by savings in marketing expense |

## Planned Monthly Digital Marketing Spend




## Financial Impact

| *($ in millions)* | Feb 2019 | Mar 2019 | Apr 2019 | May 2019 | Jun 2019 | Jul 2019 | Aug 2019 | Sep 2019 | Oct 2019 | Nov 2019 | Dec 2019 | Jan 2020 | FY 2019 | FY 2020 | FY 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **New Revenue** | ($11) | ($15) | ($15) | ($20) | ($29) | ($18) | ($19) | ($26) | ($9) | ($10) | ($9) | ($5) | ($184) | ($184) | ($184) |
| (-) Required Incremental COGS | $9 | $12 | $12 | $16 | $24 | $15 | $16 | $22 | $7 | $8 | $7 | $4 | $153 | $153 | $153 |
| **Gross Margin** | **($2)** | **($3)** | **($3)** | **($3)** | **($5)** | **($3)** | **($3)** | **($4)** | **($2)** | **($2)** | **($1)** | **($1)** | **($31)** | **($31)** | **($31)** |
| **Operating Expense** | | | | | | | | | | | | | | | |
| (-) Digital Marketing | $3 | $4 | $4 | $5 | $7 | $5 | $5 | $7 | $2 | $3 | $2 | $1 | $48 | $48 | $48 |
| **(-) Required Incremental Operating Expense** | **$3** | **$4** | **$4** | **$5** | **$7** | **$5** | **$5** | **$7** | **$2** | **$3** | **$2** | **$1** | **$48** | **$48** | **$48** |
| Initiative EBITDA | $1 | $1 | $1 | $2 | $3 | $2 | $2 | $2 | $1 | $1 | $1 | $0 | $17 | $17 | $17 |
| *Margin (%)* | *(9%)* | *(9%)* | *(9%)* | *(9%)* | *(9%)* | *(9%)* | *(9%)* | *(9%)* | *(9%)* | *(9%)* | *(9%)* | *(9%)* | *(9%)* | *(9%)* | *(9%)* |

# Digital marketing utilizes data-driven strategy to increase efficiency

## 2018 Digital Marketing Strategy: ROI Improvement

| 2018 | 2019 |
|---|---|
| Target users nationally making small bid adjustments regionally based on Return on adjusted spend ("ROAS") | Target users by designated market area ("DMA"), making aggressive bid adjustments based on ROAS by DMA and zip code |
| Point all users from all channels to the desktop and mobile websites | Point users from channels to customized landing pages built specifically for that channel and by device |
| Affiliates - track users who come to the desktop site or mobile site | Affiliates - implement app to app tracking with publishers to diversify methods of publishing deals and acquire better data insight to improve personalization targeting |
| Focus on individual business units and the top keywords and products within each | Focus on top keywords and products regardless of business unit |
| ShopYourWay, Google and Microsoft audience implementation accounts for 31% of total clicks for paid search and data-feeds | Increase ShopYourWay, Google and Microsoft audience implementation to account for 50% of total clicks for paid search and data-feeds |
| Average Cost Per Click continues to increase across Google, Bing and Yahoo | Integrate new search platforms with a much lower average cost per click to bring down spend and increase ROAS |
| Social – integrated with Facebook, Twitter, Pinterest, Instagram, etc. to communicate with members | Social - integrate more deeply with current and new vendors to expand how we reach members. Implement greater targeted communications with members and test new strategies/tactics to improve conversion |
| Target users nationally making small bid adjustments regionally based on ROAS | Target users by DMA making aggressive bid adjustments based on ROAS by DMA and zip code |
| **$124MM Spend with 0% ROI** | **$59MM Spend with 30% ROI** |

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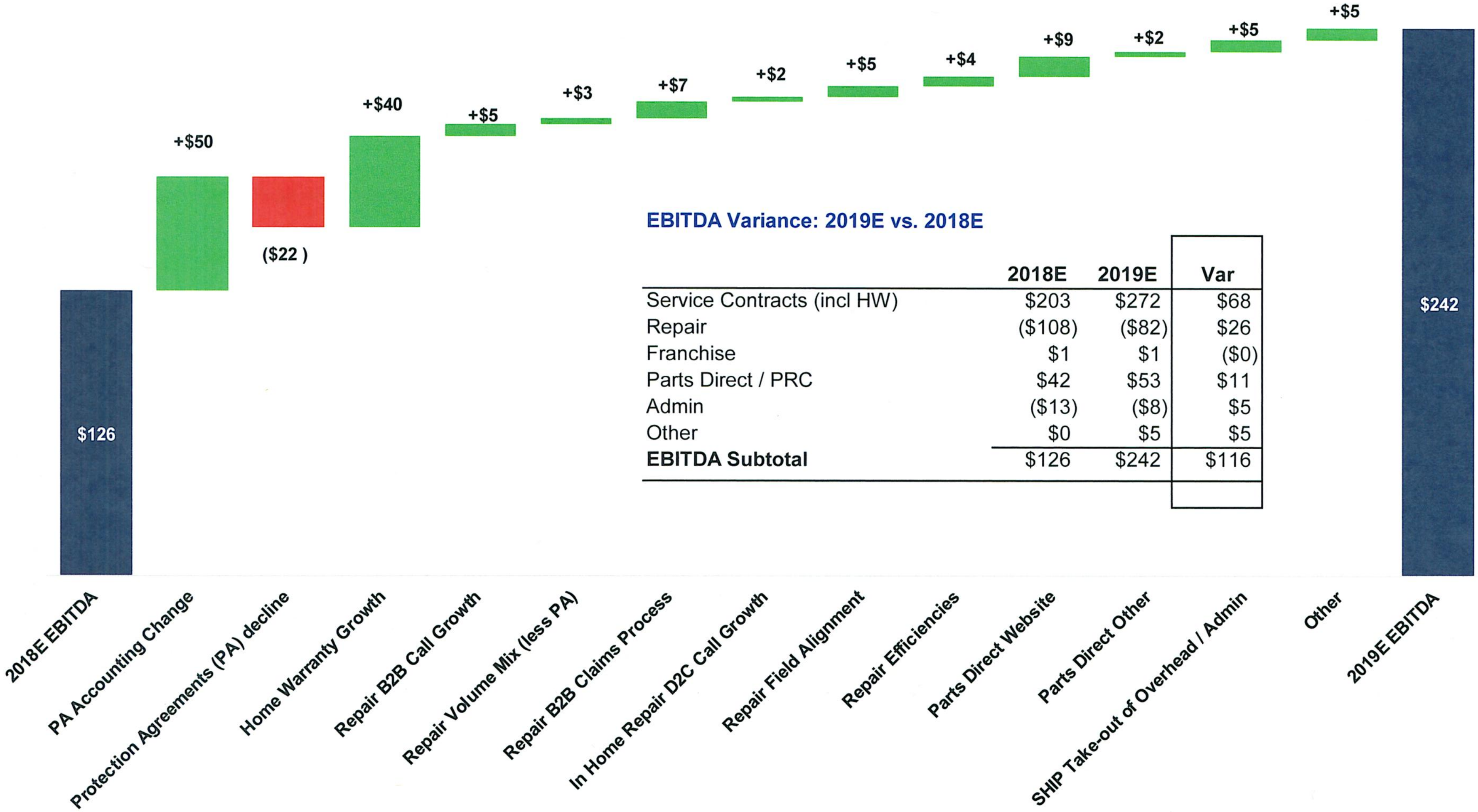
**[DRAFT – Subject to Review]**

# Key initiatives and partnerships at Sears Home Services will drive significant EBITDA growth in FY2019

## 2019E EBITDA Bridge




**EBITDA Variance: 2019E vs. 2018E**

| | 2018E | 2019E | Var |
|---|---|---|---|
| Service Contracts (incl HW) | $203 | $272 | $68 |
| Repair | ($108) | ($82) | $26 |
| Franchise | $1 | $1 | ($0) |
| Parts Direct / PRC | $42 | $53 | $11 |
| Admin | ($13) | ($8) | $5 |
| Other | $0 | $5 | $5 |
| **EBITDA Subtotal** | $126 | $242 | $116 |

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[DRAFT – Subject to Review]

# Sears Home Services: Service Contracts

## Protection Agreements

- SHC signed an agreement with Assurant on November 19th to provide underwriting for all go-forward protection agreements
  - Assurant provided best overall economics, three year term, lowest upfront reserve payment, and additional B2B service volume
- New agreement results in an EBITDA increase of ~$50 million in 2019 due to accounting change
  - Year one (one-time) 3x per policy profit improvement to Sears Home Services driven by immediate revenue recognition (i.e. pull-forward of profit)
  - $20 per policy profit increase assuming 2.5MM new and renewed policies → $50MM in EBITDA benefit
- Cost savings due to reduction of lower value leads by using a 3rd party underwriter resulting in an improved cost-to-sales ratio

### Impact from Revenue Recognition (per Policy)

**EBITDA Timing**

| *Year:* | 1 | 2 | 3 | 4 | 5 | 6 | Total |
|---|---|---|---|---|---|---|---|
| Assurant Underwritten | $29 | $0 | $0 | $0 | $0 | $0 | $29 |
| Sears Underwritten | 9 | 13 | 7 | 3 | 2 | 1 | 34 |
| **Variance** | $20 | ($13) | ($7) | ($3) | ($2) | ($1) | ($5) |

### Illustrative Economics (per Policy)

**Assurant Underwritten vs. Sears Underwritten**

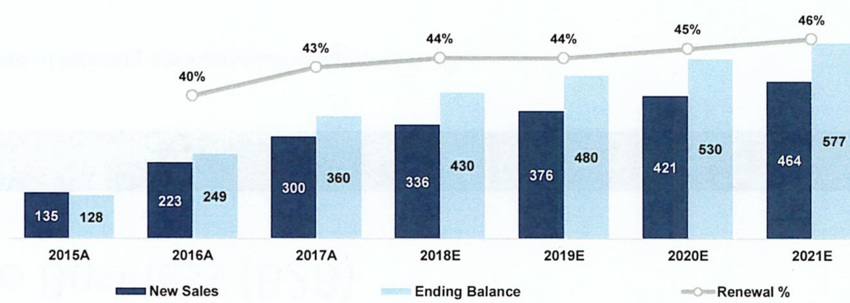
| | Assurant Underwritten | Sears Underwritten | Variance |
|---|---|---|---|
| Blended average | $ 170 | $ 170 | - |
| SHS EBITDA % | 17% | 20% | (3%) |
| **EBITDA / policy** | $ 29 | $ 34 | $ (5) |

Slightly lower economics, but better upfront EBITDA

## Home Warranty

- Continued growth in Home Warranty should deliver ~$40MM of EBITDA; partially offsets decline in protection agreements
- D2C channel enrollments expected to increase ~5% year-over-year based on overall improvements to the paid repair business; this is a primary channel for home warranty sales
- Integrating Sears Home Warranty promotional offer into the SHS.com repair scheduling experience
  - Promotional offer currently only available on the phone or in the home
  - This represents a new channel for sales in 2019
- Improved phone agent and tech sales anticipated through performance management and launch of refreshed coaching tools
- Underwriting provided by Cross Country Home Warranty

### Home Warranty by Year ($ in 000s)



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[DRAFT – Subject to Review]

# In-Home Repair Improvements: Business to Business (B2B)

## Commentary

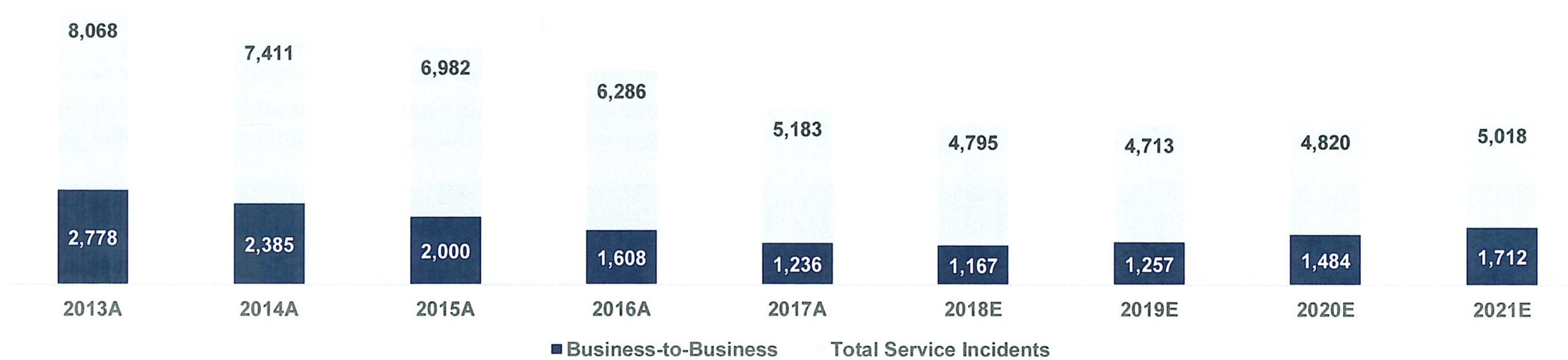
**Volume increases**

- Business-to-Business (B2B) volume assumption in 2019 results in 10.3% market share of industry service volume, up from 8.1%
- ~20% below the traditional B2B volumes in 2016 and a 27% growth over 2018
- Win back B2B partners by reducing rates where we were priced out of the market
- Business-to-Business creates over the last four weeks were up 56% versus the same period last year – up 7% over the four weeks prepetition
- Increased calls due to improved service levels resulting from continued technician investment and improved margins through pricing and marketing optimization effort

**Efficiency Improvements**

- Revenue optimization through re-engineering of B2B claims collections process expected to drive ~$7MM improvement
- Attrition improvements from company stabilization post bankruptcy emergence
- Currently running ~35% compared to historical average of closer to 25%
- Field realignment to increase span of control resulting in lower indirect field costs of ~$5MM annually
- Reducing 1099 reliability for preventive maintenance checks to help lower direct labor costs
- Improved service levels - improved response time, more efficient marketing, call center proficiency, and improvements to the web channel tools

## Business-to-Business Service Incidents versus Total Service Incidents by Year




Note: 2018 estimate based on pre-filing trend rates

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[DRAFT – Subject to Review]

# In-Home Repair Improvements: Direct to Consumer (D2C)

## Commentary

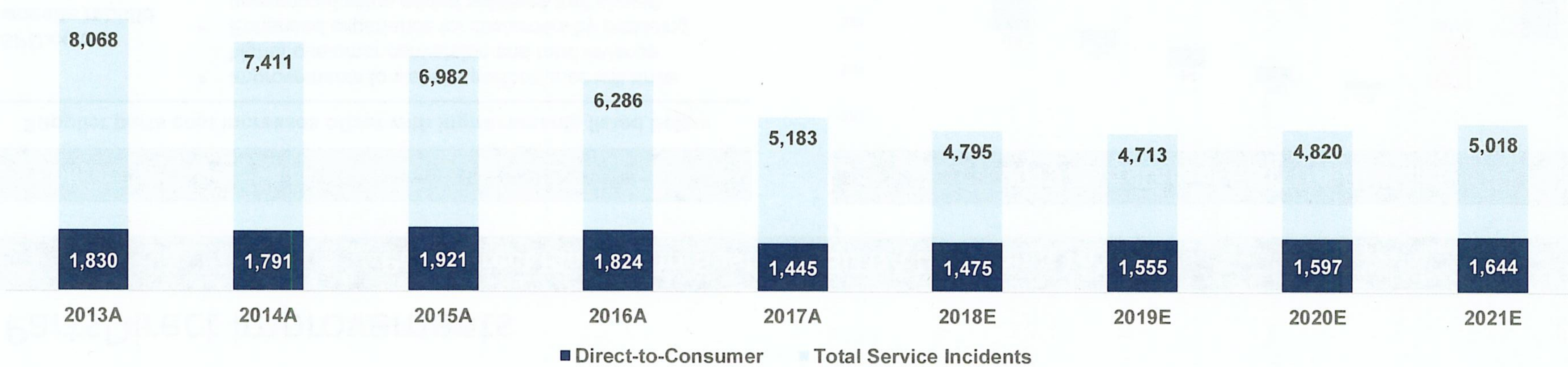
**Volume increases**

- Direct to Consumer (D2C) service volume assumption in 2019 moves us from 9.2% market share of 16M Total Addressable Market of service calls, to 9.7%
  - Still 15% below our 2016 volume and only 5% growth over 2018
- Tactics for success will be optimized and local SEM, in addition, TV advertising at SHC that will include elements of In-Home Repair awareness
- Prior to filing, YTD Direct-to-Customer (D2C) creates were only down 5% year-over-year and had actually been trending better than prior year in the 4 weeks leading up to the filing

**Efficiency Improvements**

- Attrition improvements from company stabilization post bankruptcy emergence
- Currently running ~35% compared to historical average of closer to 25%
- Field realignment to increase span of control resulting in lower indirect field costs of ~$5MM annually
- Reducing 1099 reliability for Preventive Maintenance checks to help lower direct labor costs
- Improved service levels - improved response time, more efficient marketing, call center proficiency, and improvements to the web channel tools

## Direct-to-Consumer Service Incidents versus Total Service Incidents by Year




Note: 2018 estimate based on pre-filing trend rates

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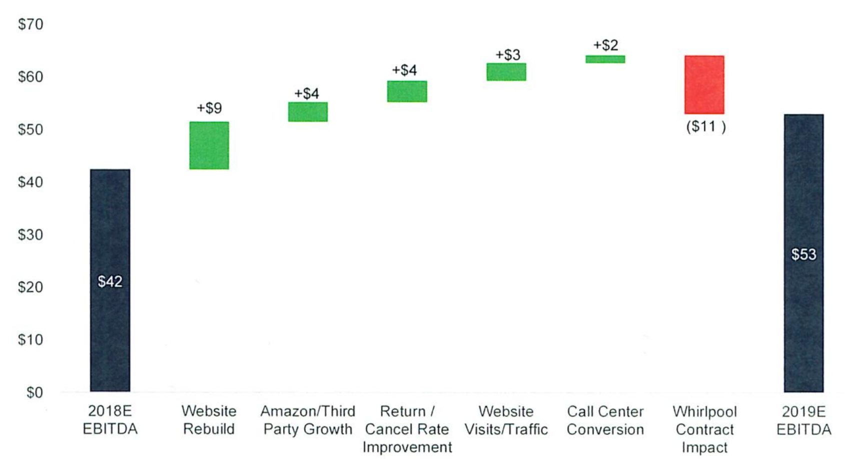
[DRAFT – Subject to Review]

# PartsDirect improvements

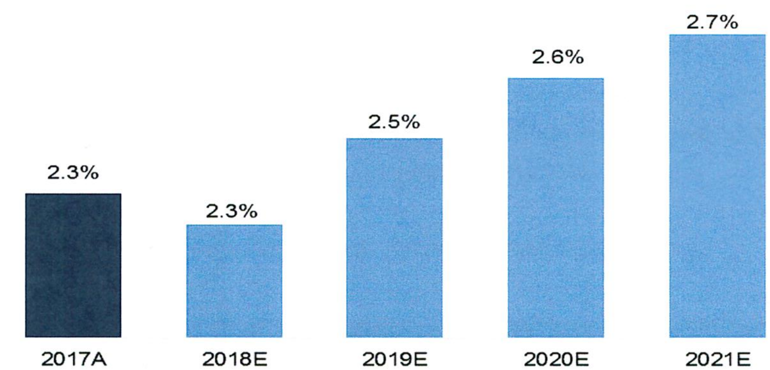
## PartsDirect Planned to Sustain EBITDA Level on a YoY Basis

| Offset | Description |
|---|---|
| Supplier parts cost increases offset with improvements listed below | |
| **SPD.com website rebuild (completion April 2019)** | ▪ Improvements to website performance will drive higher customer conversion and total revenue<br>▪ Enhanced experience for customers by providing unexpected value added solutions that should increase order size<br>▪ Designed to easily support new branding opportunities |
| **Third Party Sales** | ▪ Fulfillment by Amazon replenishment automation<br>▪ Seller Fulfilled Prime enabled in all Home Services parts distribution centers<br>▪ Increase catalog through direct drop shipments<br>▪ Addition of parts sales on GoogleXpress marketplace<br>▪ Increase product assortment sold by DIY Repair brand |
| **Pricing optimization** | ▪ Leverage competitive scrapes from "Feedonomics" for improved market view<br>▪ Supplement with new tools |
| **Reduced care contacts (contacts per sale)** | ▪ Expedite and priority shipments moved from vendors to Home Services parts distribution centers<br>▪ Parts supply chain flow returns to normal |
| **Improved call center conversion** | ▪ New and improved sales call flow embedded into new hire training<br>▪ Continued integration of six sources of behavioral influence to support vital behaviors |
| **Marketing effectiveness** | ▪ SEM vs SEO optimization |

## 2019 PartsDirect EBITDA Bridge




## Annual Conversion Rates



[DRAFT – Subject to Review]

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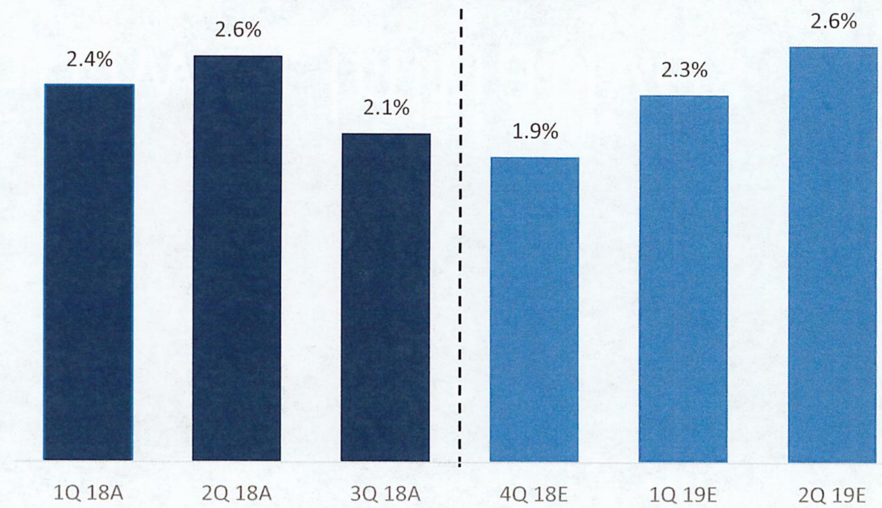
# Website rebuild driving conversion

## Enhanced Capabilities

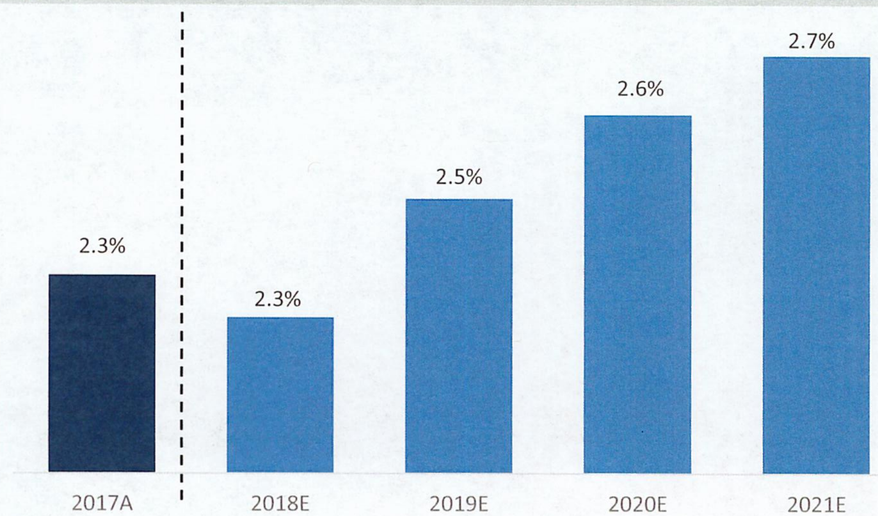
- Strategic Pillars
  - Improved search tool to allow customers to quickly find and order the correct part, which will lead to an increased conversion rate
  - Enhanced experience for customers by providing unexpected value added solutions that should increase order size
  - Provides consistent customer experience across device platforms
  - Designed to easily support new branding opportunities
  - Showcase SPD's ability to provide expert advice
- Improvements to website architecture will lower page load times and will directly correlate to increased conversions
- Simplified search tool to allow user to quickly find the model, part and repair content provided by Do It Yourself ("DIY") experts and emerging DIYers
- Customer preferences (i.e., purchase history and frequent purchases) are stored to allow for easy reorders and one click checkout
  - Logged in customers convert 18% vs 2% guest
- Leverage data to guarantee the part fits, highlight most common problems and which parts are used to fix the problem
- Accepts additional payment types
- Responsive design to support mobile device users
- Allows for mobile users to take a picture of the model number on their product to quickly initiate their search for the correct part or content
- Execution
  - Scaled agile framework
  - Total anticipated time of completion is 40 weeks (with first sprint started in June 2018)

## Conversion Over Time

### Quarterly (3Q'17A – 2Q'19E)




### Annual (2017A – 2021E)



# IV. Our Go-Forward Growth Initiatives

[DRAFT – Subject to Review]

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# Small footprint store upside represents a large opportunity to outperform the base 2019 plan (not included; will require capital investment)

## Business Overview

- Targeting 100 locations by the end of 2020
- Store size: 7,500 to 20,000 sq/f (leased)
- Local personalized shopping experience benefiting the community through the Sears and ShopYourWay ecosystem
- Products & services tailored to the community:
  - Home appliances
  - Home services (protection, repair, parts, home improvement)
  - Connected solutions (IoT products)
  - Financing options for every member
    - ShopYourWay 5-3-2-1 card
    - Leasing
    - Layaway
  - ShopYourWay products and services
  - Mattresses
  - Other community relevant products when space permits and based on local demographics and needs (seasonal product, tools, fitness, etc.)
- Highly trained consultative experts that focus on helping customers with in-home support
- Large purchases and home solutions
- In-home support and consultation
- Unlimited service opportunities and solutions

## Financial Summary (2018E)

*(4 Operating Stores)*

Proof of Concept

| *($ in 000s)* | 2018F |
|---|---|
| Sales | $ 23,882 |
| Gross Margin | 7,435 |
| *GM %* | *31%* |
| Operating Expenses | 5,557 |
| EBITDA | 1,878 |
| *EBITDA %* | *8%* |
| EBITDAR | 3,065 |
| *EBITDAR %* | *13%* |
| IRR | 36% |
| Payback | 3.75 yrs |

* Assumes $475k for corporate home office expenses

| Description | Store Economics |
|---|---|
| Gross SF<br>Selling SF | 7,500 to 20,000<br>6,750 to 18,000 |
| Annualized Sales<br>*Sales per/GSF* | $4M - $8M<br>*$400 - $500* |
| EBITDA $<br>*EBITDA %* | $.4m - $1.0m<br>*~8%* |
| EBITDAR $<br>*EBITDAR %* | $.6m - $1.4m<br>*~13%* |
| Capital Investment | $1.4m - $1.8m |
| IRR<br>Payback | 30% -60%<br>3 - 4 yrs |

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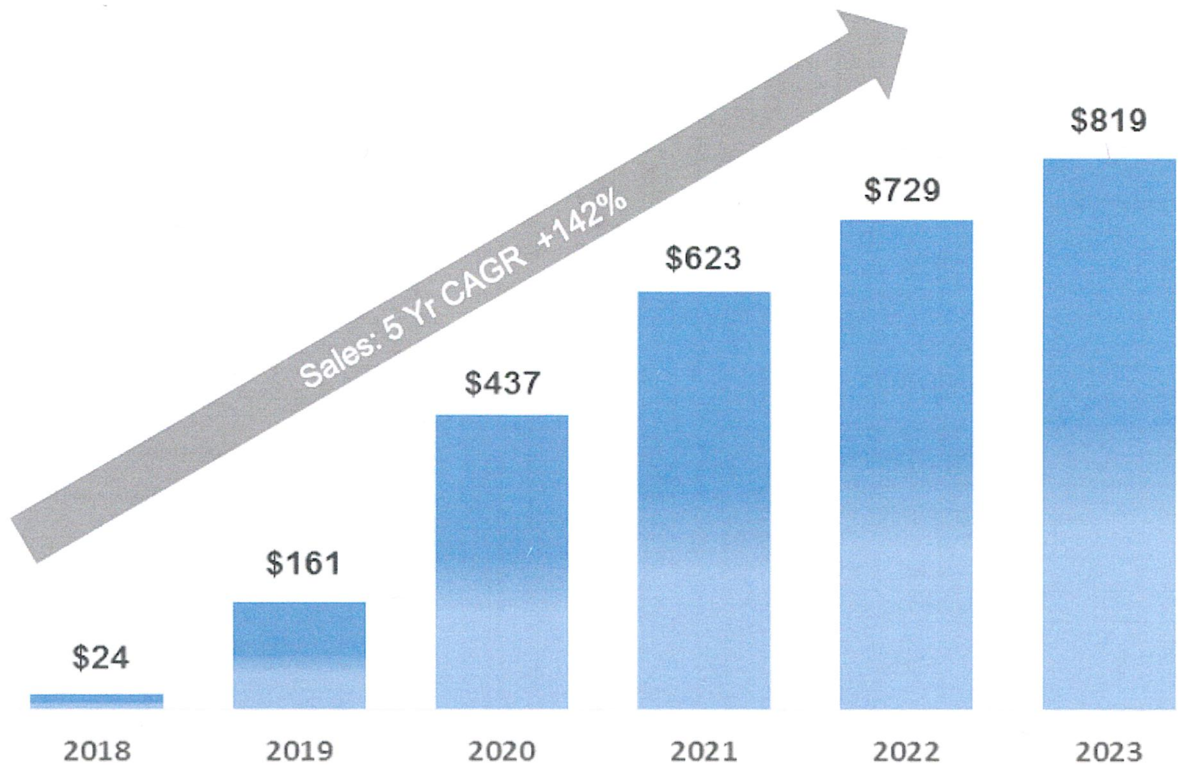
[DRAFT – Subject to Review]

# Opening small footprint stores represents a major growth opportunity

## Small Store Scale Opportunity




| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | |
|---|---|---|---|---|---|---|---|
| Stores | 4 | 40 | 56 | 20 | 18 | 16 | 154 |
| Capital Investment * | $6M | $64M | $90M | $32M | $29M | $25M | $246M |

*excludes working capital (inventory, etc.)

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**[DRAFT – Subject to Review]**

# With a payback period of 3 – 4 years, small footprint stores have a high IRR and can scale quickly

**Financial Summary**

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total | |
|---|---|---|---|---|---|---|---|---|
| *($ in 000s)* | $ | $ | $ | $ | $ | $ | $ | % Sales |
| Store Count: | 4 | 44 | 100 | 120 | 138 | 154 | 154 | |
| **Net Sales** | $23,882 | $160,536 | $437,323 | $622,770 | $729,333 | $819,289 | $2,793,134 | |
| **Gross Margin** | **$7,435** | **$51,895** | **$141,368** | **$201,316** | **$235,763** | **$264,842** | **$902,619** | 32.3% |
| Fixed Payroll Expense | $526 | $3,815 | $10,393 | $14,801 | $17,333 | $19,471 | $66,339 | 2.4% |
| Variable Payroll Expense | $1,349 | $9,782 | $26,647 | $37,947 | $44,440 | $49,922 | $170,087 | 6.1% |
| Corporate Overhead | $478 | $3,211 | $8,746 | $12,455 | $14,587 | $16,386 | $55,863 | 2.0% |
| Other Expenses | $2,016 | $14,620 | $39,826 | $56,714 | $66,418 | $74,610 | $254,204 | 9.1% |
| **Expenses (Excl Rent, Depr)** | **$4,370** | **$31,427** | **$85,613** | **$121,917** | **$142,778** | **$160,388** | **$546,493** | 19.6% |
| **Rent, CAM & Tax** | $1,187 | $7,028 | $19,145 | $27,263 | $31,929 | $35,867 | $122,418 | 4.4% |
| Per Square Foot | 20 | 20 | 20 | 20 | 20 | 20 | 20 | |
| **EBITDA** | **$1,879** | **$13,439** | **$36,611** | **$52,136** | **$61,056** | **$68,587** | **$233,708** | 8.4% |
| **EBITDAR** | **$3,065** | **$20,467** | **$55,756** | **$79,399** | **$92,985** | **$104,454** | **$356,126** | 12.8% |
| Store Capital | $ 6,400 | $ 64,000 | $ 89,600 | $ 32,000 | $ 28,800 | $ 25,600 | $ 246,400 | |
| Depreciation | $ 200 | $ 1,800 | $ 6,200 | $ 10,200 | $ 11,700 | $ 12,500 | $ 42,600 | |

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[DRAFT – Subject to Review]

# Online Growth Initiatives: Personalization with Machine Learning

## Key Objectives

**Objective**
- Enhance personalization capabilities beyond isolated widgets and dynamic components
- Develop an integrated approach that optimizes one-to-one interactions with members through advanced analytics and machine learning

**Initiatives**
- Maximize current capabilities with product recommendation engines, personalized notifications, personalized promotional messaging, and personalized marketing strategies
- Enhance the data foundation to implement a data discovery and learning system that tracks, analyzes, and learns from member behavior across all touch points
- Develop a structured library of available offer constructs, creative assets, and promotional messaging to deliver in real time
- Implement a decision engine with machine learning that matches members with specific products, messages, offers, and creative based on individualized behavioral signals
- Distribute integrated personalized experiences across all touch points

**Impacts**
- Personalization improvements to conversion seen over a 10 month period reaching an 8% improvement in conversion by the end of 2019[1]
- Customer conversion increases from 2.0% to 2.3%, driving increased revenue on existing customer visits
- Given efficacy in driving volume through the site, management has determined that focusing in improved conversion represents the best path to increasing online sales
- The financial impact of this growth initiative requires additional investment beyond the base plan

## Financial Impact

| *($ in millions)* | Feb 2019 | Mar 2019 | Apr 2019 | May 2019 | Jun 2019 | Jul 2019 | Aug 2019 | Sep 2019 | Oct 2019 | Nov 2019 | Dec 2019 | Jan 2020 | FY 2019 | FY 2020 | FY 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **New Revenue** | – | – | – | – | $3 | $2 | $3 | $4 | $3 | $9 | $8 | $4 | $36 | $134 | $188 |
| (-) Required Incremental COGS | – | – | – | – | ($3) | ($2) | ($2) | ($3) | ($2) | ($6) | ($6) | ($3) | ($27) | ($100) | ($141) |
| **Gross Margin** | – | – | – | – | **$1** | **$1** | **$1** | **$1** | **$1** | **$2** | **$2** | **$1** | **$9** | **$33** | **$47** |
| **Operating Expense** | | | | | | | | | | | | | | | |
| (-) Tech. headcount/ contractors (15, 10 SHI, 5 SHC) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($1) | ($1) | ($1) |
| (-) Product Mgmt headcount / contractors (1 SHC) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) |
| **(-) Required Incremental Operating Expense** | **($0)** | **($0)** | **($0)** | **($0)** | **($0)** | **($0)** | **($0)** | **($0)** | **($0)** | **($0)** | **($0)** | **($0)** | **($1)** | **($1)** | **($1)** |
| Initiative EBITDA | ($0) | ($0) | ($0) | ($0) | $1 | $0 | $1 | $1 | $1 | $2 | $2 | $1 | $8 | $33 | $46 |
| *Margin (%)* | *NA* | *NA* | *NA* | *NA* | *23%* | *21%* | *23%* | *23%* | *22%* | *24%* | *24%* | *23%* | *22%* | *24%* | *25%* |

(1) Based on industry average achieved conversion improvements when implementing personalization capabilities

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[DRAFT – Subject to Review]

# Online Growth Initiatives: Redesign Experience for Best Categories

## Key Objectives

**Objective**

- Re-design site experience and functionality to deliver a Best-in-Class User Experience for Appliances, Apparel, and other key categories

**Initiatives**

- Implement user-centric design practices to redesign product finding, research, and buying experience and deliver an immersive experience that instills confidence in considered purchases
- Reduce friction and focus on surfacing the most relevant information
- Update visual design with more engaging photography
- Focus on innovation, design, and industry trends with less emphasis on price and promo
- Implement responsive design to optimize mobile and desktop experience to increase mobile conversion

**Impacts**

- Experience redesign drives improved conversion rates, ramping to a 10% conversion improvement by November 2020
- The launch of the experience redesign would require 6 months of increased headcount prior to providing projected revenue improvements
- The improved customer experience would increase customer conversion from 2.0% to 2.4%, driving increased revenue on existing customer visits
- The improvement to customer experience would require additional ramp time vs. other initiatives as the improved experience also has the added additional benefit of improving brand equity
- The financial impact of this growth initiative requires additional investment beyond the base plan

## Financial Impact

| *($ in millions)* | Feb 2019 | Mar 2019 | Apr 2019 | May 2019 | Jun 2019 | Jul 2019 | Aug 2019 | Sep 2019 | Oct 2019 | Nov 2019 | Dec 2019 | Jan 2020 | FY 2019 | FY 2020 | FY 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **New Revenue** | – | – | – | – | $3 | $2 | $3 | $5 | $2 | $8 | $7 | $5 | $35 | $158 | $177 |
| (-) Required Incremental COGS | – | – | – | – | ($3) | ($2) | ($2) | ($4) | ($2) | ($6) | ($5) | ($4) | ($26) | ($118) | ($133) |
| **Gross Margin** | – | – | – | – | **$1** | **$1** | **$1** | **$1** | **$1** | **$2** | **$2** | **$1** | **$9** | **$39** | **$44** |
| **Operating Expense** | | | | | | | | | | | | | | | |
| (-) Tech. headcount/ contractors (15, 10 SHI, 5 SHC) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($1) | ($1) | ($1) |
| (-) Product Mgmt headcount / contractors (1 SHC) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) |
| **(-) Required Incremental Operating Expense** | **($0)** | **($0)** | **($0)** | **($0)** | **($0)** | **($0)** | **($0)** | **($0)** | **($0)** | **($0)** | **($0)** | **($0)** | **($1)** | **($1)** | **($1)** |
| Initiative EBITDA | ($0) | ($0) | ($0) | ($0) | $1 | $0 | $1 | $1 | $1 | $2 | $2 | $1 | $8 | $39 | $43 |
| *Margin (%)* | *NA* | *NA* | *NA* | *NA* | *23%* | *21%* | *23%* | *23%* | *22%* | *24%* | *24%* | *23%* | *22%* | *24%* | *24%* |

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**[DRAFT – Subject to Review]**

# Online Growth Initiatives: Grow Sears Marketplace

## Key Objectives

| | |
|---|---|
| **Objective** | • Drive Marketplace growth by integrating Marketplace into the core online business strategy and integrated retail capabilities Members will have broader selection, increased convenience and fewer reasons to buy elsewhere |
| **Initiatives** | • Drive Marketplace of Marketplaces Model – Maximize eBay on Sears Marketplace, launch new marketplaces including Etsy, Groupon, Rakuten, etc.<br>• Focus on Auto Category – Launch Carvana (used car marketplace), expand selection of auto parts and services<br>• Launch integrated retail experience to enable Buy Online Pickup In-store<br>• Expand into new categories and fill assortment gaps with asset light model |
| **Impacts** | • The projected impact of the Sears Marketplace can be broken into four primary drivers:<br>• eBay – Improving eBay conversion via emphasis on the channel presents a $176MM sales opportunity in 2019 (2.1% conversion), growing to a $360MM sales opportunity in 2021 (3.4% conversion)<br>• Leasing, PA and Points – Drive a go-forward revenue opportunity of $13MM per annum<br>• Other Partnerships – Cultivation of the other partnerships present an opportunity to grow Other Partnership revenue from $16MM in 2019E to $50MM in 2021E<br>• New Category – Expanding into new categories represents an opportunity to add $6MM of revenue in 2019E growing to $24MM in 2021E<br>• The financial impact of this growth initiative requires additional investment beyond the base plan |

## Financial Impact

| *($ in millions)* | Feb 2019 | Mar 2019 | Apr 2019 | May 2019 | Jun 2019 | Jul 2019 | Aug 2019 | Sep 2019 | Oct 2019 | Nov 2019 | Dec 2019 | Jan 2020 | FY 2019 | FY 2020 | FY 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **New GMV** | $14 | $18 | $14 | $17 | $22 | $15 | $17 | $20 | $12 | $23 | $22 | $17 | $211 | $329 | $447 |
| (-) Required Incremental COGS | ($14) | ($17) | ($14) | ($17) | ($21) | ($14) | ($16) | ($19) | ($11) | ($22) | ($20) | ($17) | ($200) | ($311) | ($421) |
| **Gross Margin** | **$1** | **$1** | **$1** | **$1** | **$1** | **$1** | **$1** | **$1** | **$1** | **$1** | **$1** | **$1** | **$11** | **$18** | **$26** |
| **Operating Expense** | | | | | | | | | | | | | | | |
| (-) eBay Program Manager (1 SHC) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) | ($0) |
| **(-) Required Incremental Operating Expense** | **($0)** | **($0)** | **($0)** | **($0)** | **($0)** | **($0)** | **($0)** | **($0)** | **($0)** | **($0)** | **($0)** | **($0)** | **($0)** | **($0)** | **($0)** |
| Initiative EBITDA | $1 | $1 | $1 | $1 | $1 | $1 | $1 | $1 | $1 | $1 | $1 | $1 | $11 | $18 | $26 |
| *Margin (%)* | *5%* | *5%* | *5%* | *5%* | *5%* | *5%* | *6%* | *6%* | *6%* | *6%* | *6%* | *5%* | *5%* | *5%* | *6%* |

# V. Why Sears Holdings can Make it

**[DRAFT – Subject to Review]**

# Why Sears Holdings can make it

- Despite our recent headwinds Sears is still the 3rd largest appliance retailer in the US with 15.3% market share
  - Lowes has 25.8% share; Home Depot has 17.1%; Best Buy has 13.7%
- Sears is the number one home service and direct delivery provider
  - Amazon, Costco, Icon Home Fitness and others are leveraging Sears' capabilities, which adds revenue & value to Innovel and Home Services; this is a unique strength that Sears has over other market competitors with high barriers to entry
- Sears' physical presence with strategic locations support a showroom concept that is important on big ticket, considered purchases; combined with our online business (40% of purchases), delivery capabilities and Home Services capabilities are a powerful differentiating combination
- We have the ability to expand our reach in the hardlines categories through scaling the small format concept.
  - We are moving into urban markets as millennials are choosing to live and work downtown
  - Moving into fast growing geographies with greater speed and agility, as well as replacing some of our recently closed store locations, further leveraging our overhead and unique delivery & service capabilities
- In addition to the hardlines opportunity (40% of sales), Sears also has a strong and growing softlines business (40% of sales) which complements hardlines more considered purchase behavior, adding frequency and everyday accessibility for our members; members who purchase tools are the biggest purchasers of men's denim and work boots
  - Diehard work boots are the market share leader and are another Sears differentiator
- Sears has an expansive financial services platform that supports member purchases and generates significant profitability through its Citi credit card agreement
  - The Citi credit card agreement also has multiple avenues growth

[DRAFT – Subject to Review]

# Why Sears Holdings can make it *(cont'd)*

- Kmart is profitable, adds diversity and has a complimentary network that leverages corporate resources
  - Kmart's members shop more frequently than Sears' customers do
  - Kmart's business is less cyclical and less reliant on big ticket purchases
  - Kmart has a profitable off-shore business where it has a competitive advantage
  - Kmart allows sourcing to leverage additional volume to achieve better costing with more preferred vendors
  - Kmart provides an additional loyalty benefit to members who earn points on larger purchases
- Sears Holdings has a robust digital platform that supports both Sears and Kmart, with 145MM total registered users including 61MM contactable members and 28MM 12-month active users; of the active users, 13.5MM have redeemed points in the last 12 months

**To capture this opportunity, we would address our physical presence through strategic store upgrades and a consumer confidence campaign, reinforcing its unique product & service offering that will make it relevant for years to come**

# Appendix

[DRAFT – Subject to Review]

# The Online team is focused on delivering significant growth to retail

## Online Growth Strategy

- The online growth plan emphasizes on driving 3 areas of focus:
    1. Improve the basics – visits, conversion rates, and average order value (AOV)
    2. Deliver needle mover initiatives
    3. Instill operational excellence

**To achieve this growth plan ($1.3BN incremental revenue by '21 and $3.5BN by '23), we will need to invest primarily in talent acquisition and technology improvements**


## Key Growth Initiatives

- Improve conversion metrics over time to industry average (each 20 bps increase on a $1.5BN business equates to $150MM)
- Drive personalization with machine learning
- Leverage marketplace to accelerate selection growth with all core platform capabilities (e.g. leasing)
- Deliver a best-in-class experience for our best categories (Home Appliances and Apparel)
- Continue Mobile First – Accelerate app adoption (2x higher conversion rate than mobile web)
- Test new business models: test before you buy (apparel and footwear), appliance upgrade payment model (allow members to upgrade to latest innovation), subscription services (consumables, apparel, and other frequency categories)
- Reconfigure our fulfillment network to be "less dependent" on fusion sales

**[DRAFT – Subject to Review]**

# IT is performing an exhaustive contract review to take advantage of the chapter 11 contract rejection opportunity

## Detailed Contract Analysis

| | Reject | Eliminate | Reduce | Renegotiate | Review | Total |
|---|---|---|---|---|---|---|
| **MT Contracts** | | | | | | |
| Number | 1 | 102 | 17 | - | 7 | 127 |
| $ Value | $1,628,151 | $62,348,847 | $30,101,120 | - | $2,603,728 | $96,681,846 |
| Number Prepaid | - | 6 | 1 | - | - | 7 |
| $ Value Prepaid | - | $6,149,100 | $252,000 | - | - | $6,401,100 |
| **Contracts that Cover MT & Non-MT** | | | | | | |
| Number | - | 2 | 13 | 1 | - | 16 |
| $ Value | - | $89,743 | $61,264,935 | $5,287,539 | - | $66,642,217 |
| Number Prepaid | - | - | - | - | - | - |
| $ Value Prepaid | - | - | - | - | - | - |
| **Non-MT Contracts Managed by MT** | | | | | | |
| Number | - | 2 | 21 | 1 | 1 | 25 |
| $ Value | - | $8,047,945 | $13,460,133 | $1,313,264 | $582,530 | $23,403,872 |
| Number Prepaid | - | - | 1 | - | 1 | 2 |
| $ Value Prepaid | - | - | $6,353 | - | $4,253 | $10,606 |
| **Total Contracts** | | | | | | |
| Number | 1 | 106 | 51 | 2 | 8 | 168 |
| $ Value | $1,628,151 | $70,486,535 | $104,826,188 | $6,600,803 | $3,186,258 | $186,727,935 |
| Number Prepaid | - | 6 | 2 | - | 1 | 9 |
| $ Value Prepaid | - | $6,149,100 | $258,353 | - | $4,253 | $6,411,706 |

## Summary

168 contracts reviewed with an annual expense of $187MM (out of 210 total contracts with spend of $198MM)

Summary Status:

- Reject – 1
- Eliminate – 106
- Reduce – 51
- Renegotiate – 2
- Review – 8

Key

- Reject – will reject contract
- Eliminate – will not renew
- Reduce – will reduce spend
- Renegotiate – will need to negotiate new terms – we cannot just reduce
- Review – decision not made

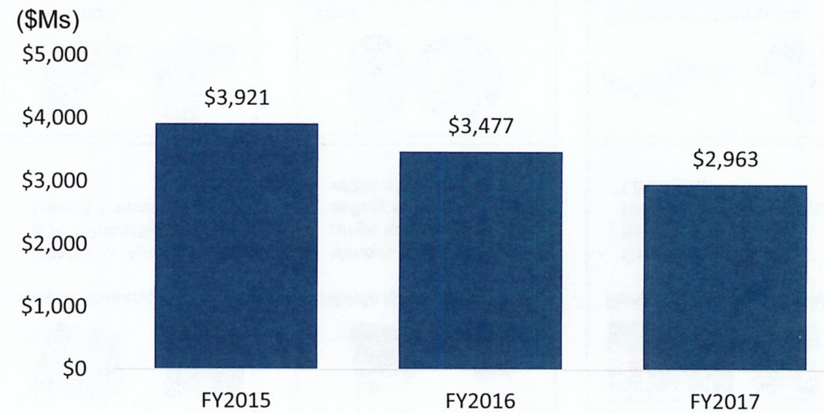
**[DRAFT – Subject to Review]**

# Kenmore Business Summary

## Business Overview

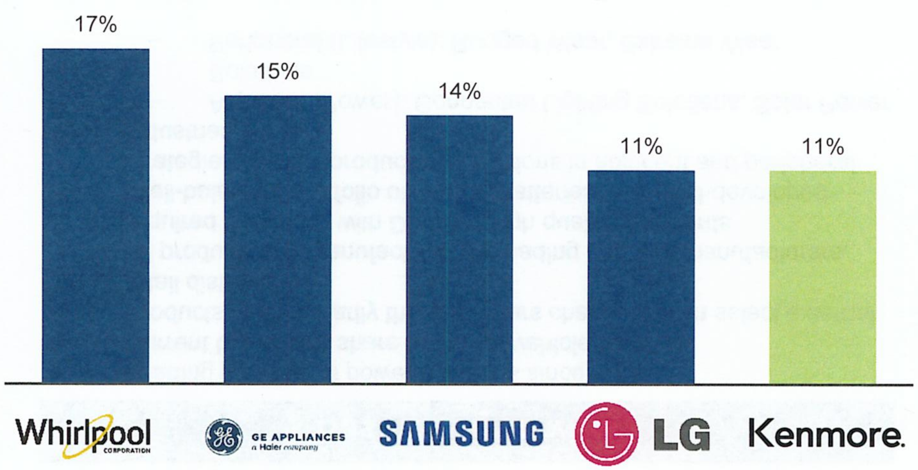
- Kenmore is broken into two business units
  - Major Home Appliance: Markets and sells refrigerators and freezers, laundry washers and dryers, cooking ranges and ovens, and dishwashers (#5 overall ranked leader in major appliances (11% U.S. sales share))
  - Small Appliance: Markets and sells small kitchen appliances, water softeners, electric air cleaners, vaporizers, vacuums, steam cleaners, room air conditioners, outdoor grills and over the counter microwaves
- The majority of its products manufactured via contracts with OEMs
- The majority of its current distribution via Sears-branded retail stores but with rapidly growing third-party distribution (e.g. Amazon)
- No. of Households: ~100MM as of 2017E (cumulative)

## Historical Revenue[1]




## Leading U.S. Market Share

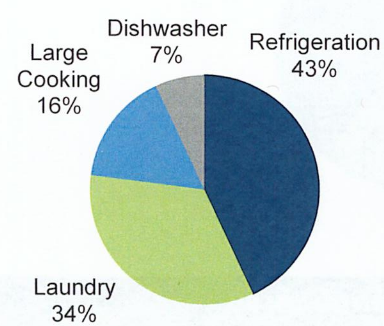
*(2017E Sales Share by Brands, %)*




## Financial Overview

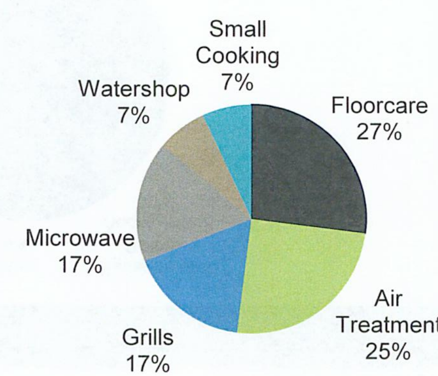
*(LTM Dec 2017 Sales)*

**Major Home Appliance**




***$2.5BN in Sales***

**Small Appliance**




***$348M in Sales***

(1) Gross retail sales per CIM – Kenmore records revenue based on gross retail sales (included in Hardlines) or its license revenue from Sears sales of Kenmore branded products and third party sales

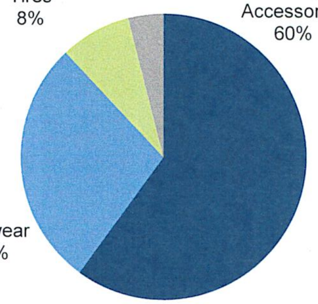
[DRAFT – Subject to Review]

# DieHard Business Summary

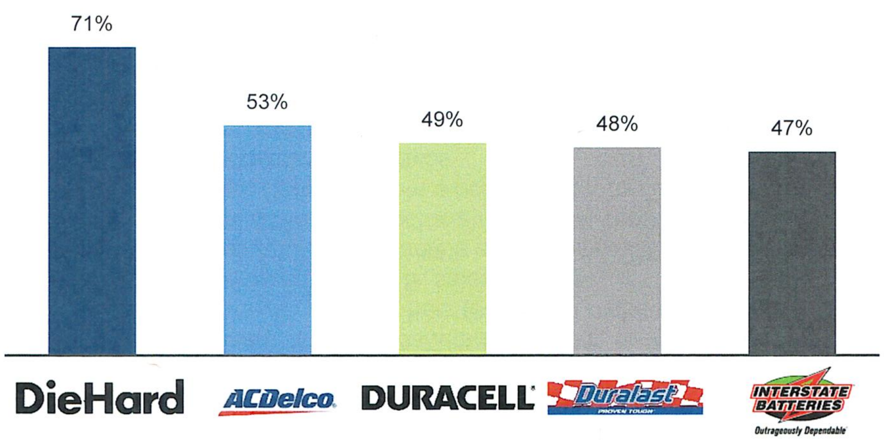
## Business Overview

- Leading provider of power solutions since 1967
- Current U.S. sales share of 4% for vehicle batteries
- Products sold primarily through Sears channels, with select external retail distribution
- All products are manufactured by leading contract manufacturers, required to comply with DieHard high quality standards
- Well-balanced portfolio of vehicle batteries, with well-developed strategies for new product introductions in adjacent and peripheral industries
  - Adjacent (Power): Connected Lighting Solutions, Solar Power Solutions
  - Peripheral (Lifestyle): Rugged Wear, Extreme Wear

## Revenue by Segment




## Brand Awareness




## Select Products

**Vehicle Batteries**

- Offered for Auto, Marine & RV, PowerSport and Lawn & Tractor

**Vehicle Battery Back Up**

- Various applications range from jumping a car battery to powering laptop within a car

**Portable Power and Lights**

- Categories include tool batteries, alkaline batteries, flashlights and LED lights

**Work Boots**

- High-performance boots, offered in both slip-ons and lace-ups

**Tires**

- Mid-Tier Passenger car tires manufactured by Kumho sold in SAC

**Consumer Electronics**

- Categories include Powerbanks, Chargers, Charging station, Phone cases and headsets

[DRAFT – Subject to Review]

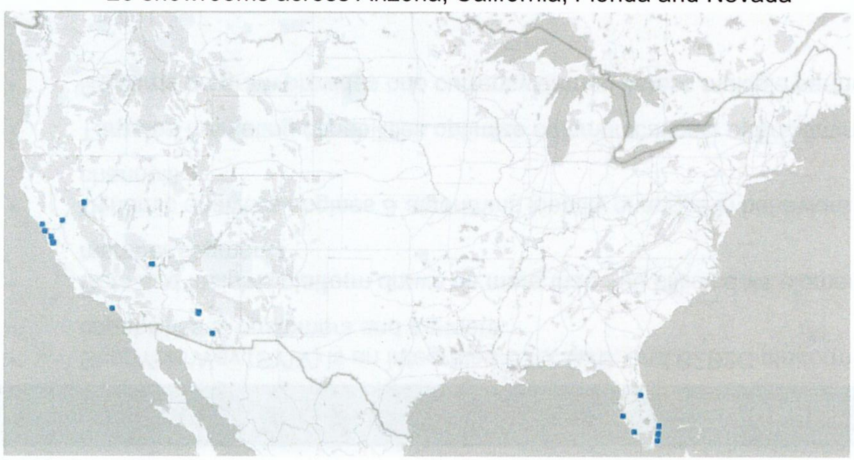
# Monark Business Summary

## Business Unit Overview

- Monark Premium Appliance Company and its affiliates form a nationwide distributor of premium home appliances that serve architects, builders, designers, developers and homeowners
- Monark represents a partnership between three leading distributors: Florida Builder Appliances, Westar Kitchen & Bath and Standards of Excellence
- Showrooms provide customers with premium cooking, cooling and cleaning appliances
- Monark operates within the larger Hardlines business
- Established June, 2015

## Store Locations

20 showrooms across Arizona, California, Florida and Nevada



## Select Brands

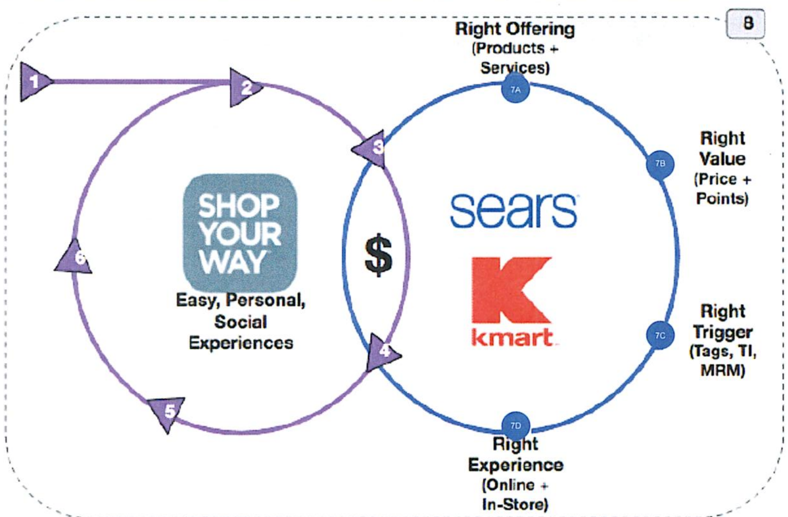
Alfresco
ASKO Inspired by Scandinavia
best
dacor
DCS by Fisher&Paykel
Electrolux
SAMSUNG
Scotsman
Speed Queen
SUB-ZERO
SUMMIT APPLIANCE
Thermador
U-LINE
VentAHood
VIKING PROFESSIONAL
GE
LA CORNUE
LG

# ShopYourWay Business Summary

## Business Unit Overview

- ShopYourWay (SYW) is an integrated B2C, B2B, and B2B2C platform that provides personalized data & insights, analytics, marketing and rewards capabilities to customers and partners
- Data and Insights platform draws on more than 100 billion data elements across 160 data sources and 4,000 variables enabling thousands of unique member segments
- Dynamic analytics engines & algorithms identify changes in behaviors, score members in real time, and power decisions through relevant marketing channels
- Targeted marketing capabilities optimize communications, offers, timing, and channel driving the desired member behavior
- Rewards program provides one currency earned across multiple partners to drive member loyalty

## ShopYourWay and the Sears Ecosystem




1. Compelling Value Prop + Easy Linkage drives sign-ups for programs, services, partners
2. Engagement in the ecosystem rewards members with SYW points and builds profiles for members
3. Personalization and Service platforms connect members to products and services
4. SYW Points and Partner Funding deliver value for members and create a multiplier/leveraged model for Sears/Kmart
5. Ecosystem Engagement provides feedback needed to expand / tailor the offering
6. Member Engagement / Redemption create more demand and performance for partners, which creates more opportunities for members and profitable growth
7. Journeys/ Categories creates and curate new product offerings (7a), develops the value proposition (7b), uses data to tag, target and deliver personalized offers (7c), and connects the online/instore experience (7d)
8. Markets Team drives the end-to-end system at a member, store, and community level, creating new capabilities for the go-forward integrated retail business

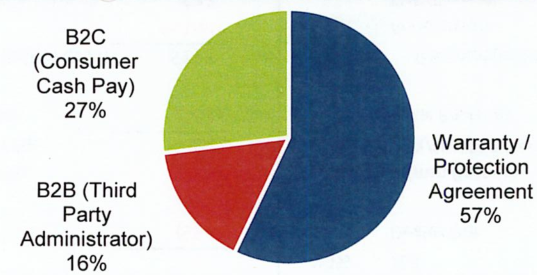
[DRAFT – Subject to Review]

# In Home Repair Overview

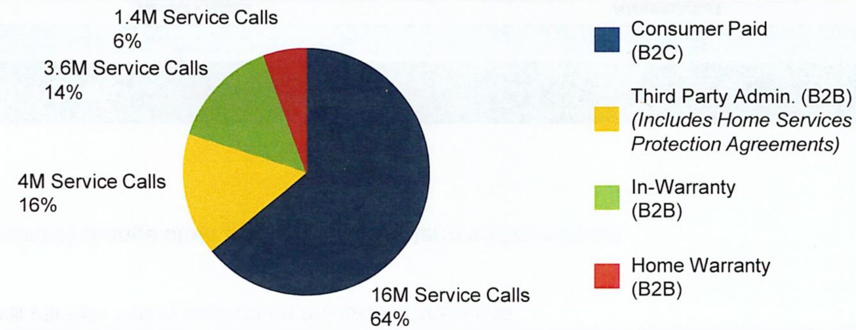
## Business Overview

- In-Home Repair is a leading national provider of appliance repair services in the U.S.
- Provides B2C + B2B repair services for appliances, consumer electronics, outdoor power equipment, fitness equipment, power tools and HVAC systems under the Sears and A&E Factory Service brand names
  - Customers can book an appointment in-store or by phone / online and receive a preliminary diagnosis from trained professionals
  - Appliance repairs are covered by a 90-day satisfaction guarantee
- Approximately 4,500 trained in-house service techs complemented by over 800 independent contractor firms within 1099 labor network
  - Home Services has access to total network of 1.5M+ units of repair capacity via its 1099 network(1)
- Over 40% of technicians have more than 10 years of experience
- Provides services in 50 states, the District of Columbia, Guam and Puerto Rico through ~50 district locations and other support locations

## In-Home Call Volume




## Appliance Repair Marketplace




## Top B2B Customers

American Home Shield · american WATER HEATERS · asurion · THE CROSS COUNTRY GROUP · FIDELITY NATIONAL FINANCIAL · First American · GE · LG · LOWE'S · Nicor Gas An AGL Resources Company · SAMSUNG · SERVICE NET · Warrantech · 2-10 HOME BUYERS WARRANTY

**[DRAFT – Subject to Review]**

# Assurant is providing a 3rd party protection agreement solution to ensure SHC can continue to sell protection agreements to its members

## Commentary

- Assurant has best overall economics (especially in the aftermarket), 3 year term, no upfront reserve payment, additional B2B service volume
- Pre-petition, we were collecting ~$12.5M of cash per week
  - Currently collecting ~$2.5M of cash per week due to suspended sales in 34 states
  - With Assurant solution, we will collect ~$3.5M-$4.0M of cash per week
- Margin impact over the life of a PA contract is $4 less than pre-petition
  - Year one (one time) 4x improvement to SHS PA contract EBITDA due to immediate revenue recognition; $8 increasing to $32 on a per policy basis
- Will be live in 39 states immediately after contract signing, final 11 states will have various timing depending on state procedures
  - Goal is to have all states live by Thanksgiving
- We will continue to use our existing programs, so no need for re-training or operational change other than collateral for term and conditions
  - Retail continues to get full commission on sales
- Sears Home Services retains ownership of the customer

## Summary of Terms

### No Underwriter

**Retail**

| | | |
|---|---|---|
| | Price | $200 |
| 25% | Loss cost | ($49) |
| 100% | TLR | $0 |
| | Dealer Net | ($49) |
| 4% | Admin Reserve | ($9) |
| 0.0% | Risk/UW/IPT Fee | $0 |
| | Total Reserves | ($58) |
| | Revenue (Initial Cash) | $200 |
| 50% | Retail | ($100) |
| | SHS (Excess) | $100 |
| | Total Expenses | ($58) |
| 100% | Profit Share | $0 |
| | Home Services | $42 |
| | *Sears Total (excl 9.5% comm)* | *$142* |
| | *Margin %* | *21%* |

**Aftermarket**

| | | |
|---|---|---|
| | Price | $144 |
| 58% | Loss cost | ($84) |
| 100% | TLR | $0 |
| | Dealer Net | ($84) |
| 10% | Admin Reserve | ($15) |
| 0.0% | Risk/UW/IPT Fee | $0 |
| | Total Reserves | ($99) |
| | Revenue (Initial Cash) | $144 |
| 12% | Acquisition | ($17) |
| | SHS (Excess) | $127 |
| | Total Expenses | ($99) |
| 100% | Profit Share | $0 |
| | Home Services | $28 |
| | *Sears Total* | *$28* |
| | *Margin %* | *19%* |

### Assurant

**Retail - Sears**

| | | | |
|---|---|---|---|
| | Price | $200 | |
| 25% | Loss cost | ($49) | |
| 90% | TLR | ($5) | |
| | Dealer Net | ($54) | |
| 4% | Admin Reserve | ($9) | |
| 6.5% | Risk/UW/IPT Fee | ($4) | |
| | Total Reserves | ($67) | *16%* |
| | Revenue (Initial Cash) | $133 | *-33%* |
| 50% | Retail | ($100) | |
| | SHS (Excess) | $33 | |
| | Total Expenses | $0 | |
| 80% | Profit Share | $4 | |
| | Home Services | $38 | *-11%* |
| | *Sears Total (excl 9.5% comm)* | *$138* | *-3%* |
| | *Margin %* | *19%* | |

**Aftermarket**

| | | |
|---|---|---|
| | Price | $144 |
| 58% | Loss cost | ($84) |
| 90% | TLR | ($9) |
| | Dealer Net | ($93) |
| 10% | Admin Reserve | ($15) |
| 6.5% | Risk/UW/IPT Fee | ($6) |
| | Total Reserves | ($114) |
| | Revenue (Initial Cash) | $30 |
| 12% | Acquisition | ($17) |
| | SHS (Excess) | $12 |
| | Total Expenses | $0 |
| 80% | Profit Share | $7 |
| | Home Services | $20 |
| | *Sears Total* | *$20* |
| | *Margin %* | *14%* |

**[DRAFT – Subject to Review]**

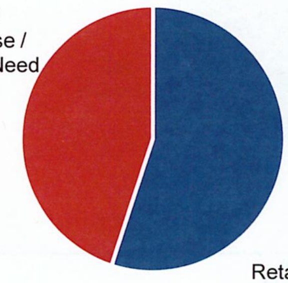
# Service Contracts Overview

## Business Overview

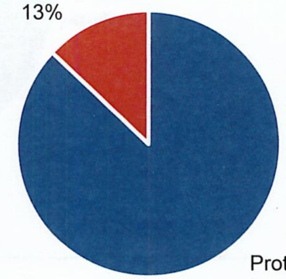
- Service Contracts: Leading national provider of service, replacement and home warranty contracts under the Sears, Kmart and A&E Factory Service brand names
- Two primary contracts: Protection Agreements and Home Warranty
  - Various coverage and term offers to meet customer repair and replacement needs
  - Contracts cover appliances, consumer electronics, outdoor power equipment, fitness equipment, power tools, HVAC systems and select other merchandise
  - In 2014, began offering the Sears Home Warranty Plan
    - Single protection plan that covers the repair or replacement of major home appliances and systems regardless of their age, brand or point of sale
- Contracts sold via SHC retail locations (point of sale) and through post purchase / point of need channels, including telemarketing, direct mail, In-Home Repair Services technicians and call center associates
  - Currently approximately 10M contracts in force
- In-Home: Provides repair services for appliances, consumer electronics, outdoor power equipment, fitness equipment, power tools and HVAC systems under the Sears and A&E Factory Service brand names
  - Approximately 5.2 million in-home repair and maintenance events performed for all major brands during 2017
- Will begin offer Protection Agreements underwritten by Assurant in the coming weeks

## Portfolio Mix (Service Contracts)

**By Origin**

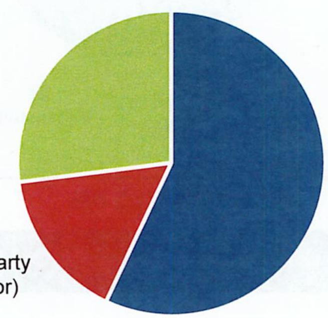



**By Contract Type**




## In Home (by Repair Type)

*(Represents call volume by type)*



[DRAFT – Subject to Review]

# PartsDirect Overview

## Business Overview

- PartsDirect provides repair parts & accessories for most major brand appliances, outdoor power equipment, water heaters and treatment to DIY consumers
- Primarily offer OEM approved replacement parts, with accessories and maintenance products driving incremental sales
- Peak sales period: March through September, coinciding with the Spring and Lawn & Garden season
- Core business in consumer space (via website and phone), with growing marketplace / third party

## Channel Strategy

- Provide solutions via web, phone, commercial and third party marketplaces
- Fast-growing third party marketplaces (e.g., Amazon, eBay) primarily under the DIY Repair Parts brand
- Monetization strategy to leverage parts catalog
- Digital and social media marketing strategy driving increased visits to SPD.com and website rebuild improving conversion rate of users
- ~640 dedicated expert advisors located in 8 call centers assist consumers by phone

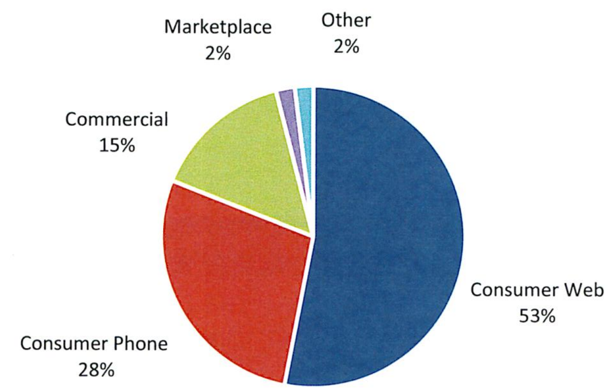
## Customer / Need Overview

- 60% of customers primary reason for visiting site is to purchase a replacement part for their product (16% to research part replacement)
- 11.5% of purchasers are new to PartsDirect and 42% have done business with PartsDirect in the last 5 years

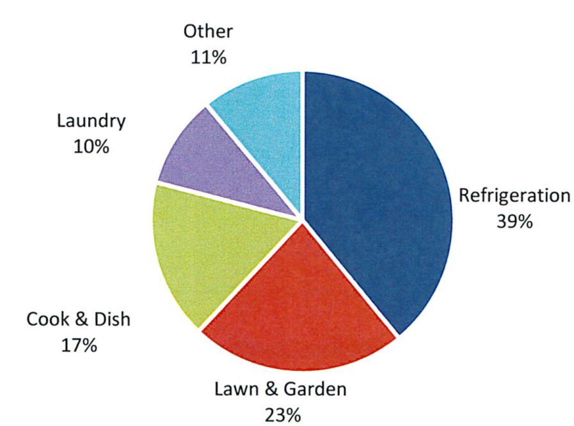
Note:
(1) As of FY2017

## Portfolio Business Mix(1)

### By Channel

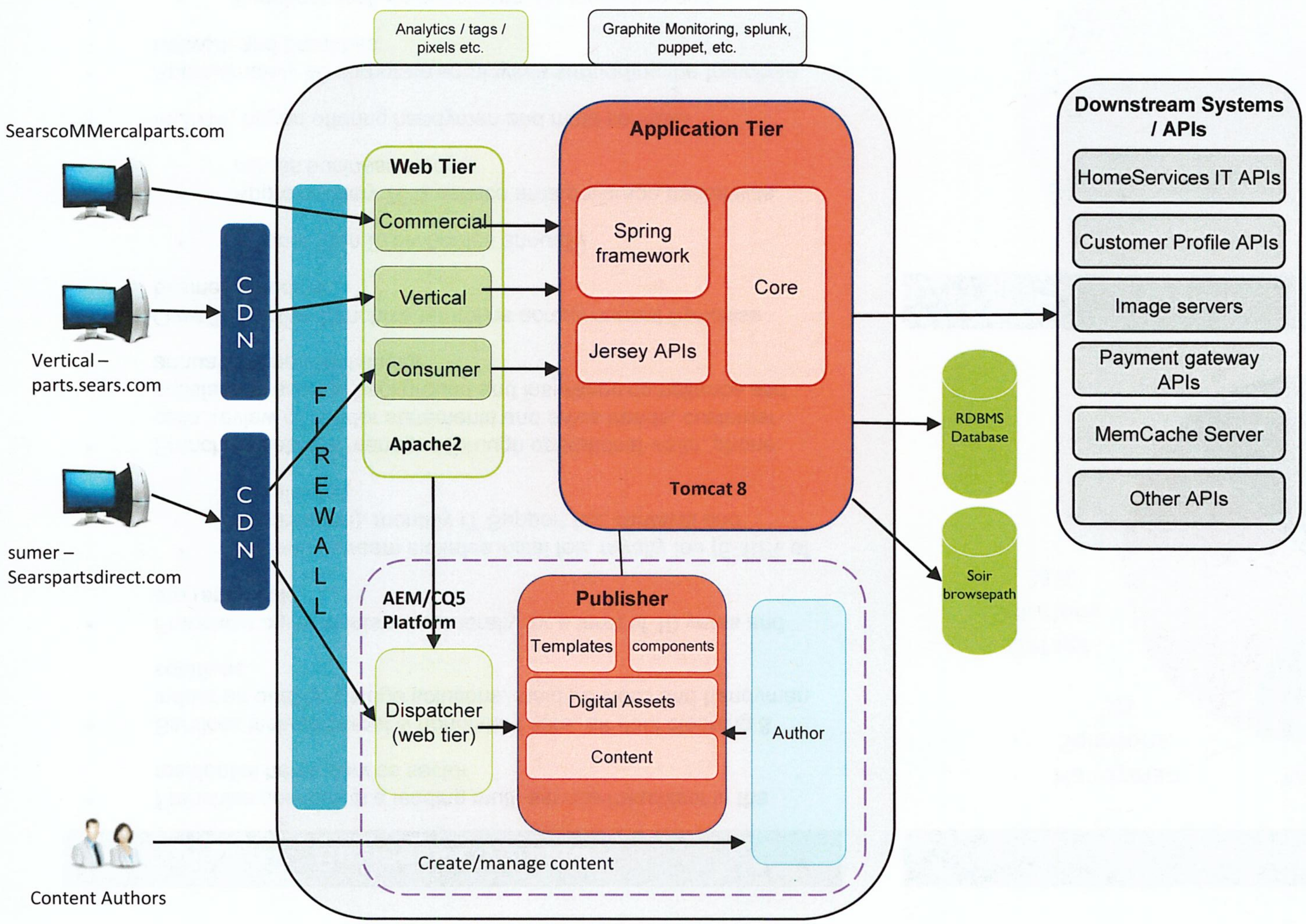



### By Product



# PartsDirect Existing Website Infrastructure

## Current Site Architecture




## Commentary

- Current application was built ~10 years ago
- Despite piecemeal improvement, legacy architecture limits delivery of fast and reliable business features
- Application is not scalable and also limited by on-prem infrastructure
- Application performance has been a lagging factor because of the old architecture
- Application is not resilient to downstream systems' outages
- Lots of inter-dependencies causes multiple failures

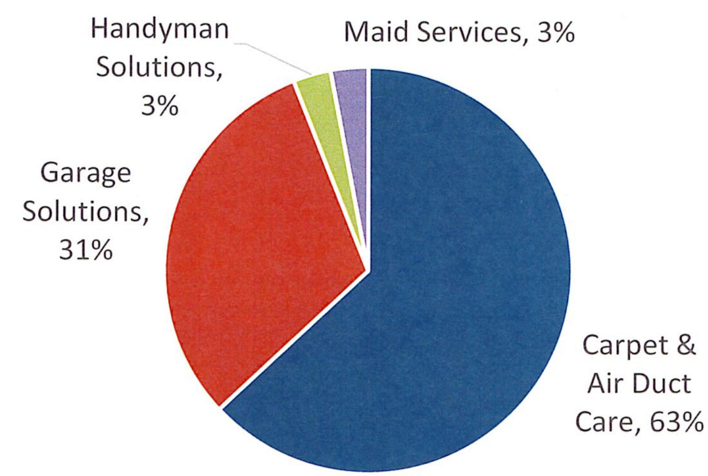
[DRAFT – Subject to Review]

# Franchise Overview

## Business Overview

- Franchise services is a leading multi-service franchisor in the residential home service sector
- Services include carpet & upholstery care, air duct cleaning & indoor air quality, garage solutions, maid services and handyman solutions
- Franchise agreements are generally for a term of 10 years and are renewable
    - Revenue stream includes initial fee, royalty fee (6-10% of net revenue), monthly IT Support fee, renewal and transfer fee
- Franchise network managed through operational visits, phone calls, review of vendor statements and sales trends, customer satisfaction scores, background and insurance compliance and annual independent audits
- Over 390 active franchise territories across current franchise business models
    - In more than 375K homes annually
    - Approximately 76% service area coverage nationwide across business models
- In 2014, began offering handyman and maid services
- Approximately 40 corporate employees supporting the franchise network and branches
    - Functions include operations, IT, marketing and advertising, finance, customer service, R&D and search engine optimization
- Headquartered in Columbus, OH

## Business Mix




## Franchise Locations